Austria Sch22	Indonesia .. Rp3100	Portugal Esc100
Bahrain .. Din0.650	Israel NS3.50	S.Arabia ... Rls6.00
Belgium BFr48	Italy L1600	Singapore .. S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka ... Rup30
Denmark .. DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon $L125.00	Switz SFr2.20
Finland .. Fmk7.00	Lux LFr48	Taiwan ..... NT$85
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany .. DM2.20	Mexico Pes300	Tunisia ... Din0.800
Greece Dr100	Morocco ... Dh6.00	Turkey L500
Hong Kong.. HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,426 Thursday December 31 1987 D 8523 A

Arms industry: case of discreet hype, Page 10

World News | Business Summary

Confusion over fate of Afghan siege town

The fate of the besieged Afghan garrison town of Khost remained unclear as the Afghan Government, Moscow and Afghan rebels all gave conflicting accounts of some of the fiercest fighting of the eight-year Soviet occupation.

The official Soviet news agency, Tass, said as many as 2,000 Moslem rebels had been killed and their siege broken. But the guerrillas insisted that the siege was continuing and a government relief force was still bogged down 70km from Khost. **Page 12**

China recalls envoys

China recalled two diplomats at its embassy in Washington after the US complained they were "engaged in actions incompatible with their duties." **Page 3**

Egypt warns Israel

Egypt cautioned Israel against expelling Palestinians from the occupied territories, saying this would obstruct Middle East peace efforts. **Page 3**

Lawyers boycott trials

About 30 Arab and Israeli lawyers boycotted the mass trials of young West Bank Palestinians allegedly involved in rioting in the occupied territories earlier this month. **Page 3**

Danish cheese banned

Sweden's state food administration banned the sale of three types of Danish cheese – Creme Royal, Opus 84 and Blue Moon – after tests showed they contained large amounts of the potentially lethal listeria bacteria.

Sri Lanka killings

At least eight people were killed in clashes between Tamils and Moslems in eastern Sri Lanka.

Mikulic in hospital

Yugoslav Prime Minister Branko Mikulic, 59, was admitted to a Belgrade hospital for observation.

Rebel priestess jailed

Rebel priestess Alice Lakwena who led a crusade of fanatics against the Ugandan Government this year, was jailed for four months in Kenya for entering the country illegally. **Page 2**

Critics detained

Malaysian authorities confirmed that 33 government critics, including opposition leader Lim Kit Siang, had been served with two-year detention orders. **Page 5**

Ershad poll pledge

President Ershad of Bangladesh said fresh elections would take place even if the main opposition groups boycotted the polls. **Page 5**

Brazilian police kill two

Police shot dead two gold prospectors in northern Brazil when they ended a blockade of a major road and rail bridge by about 1,500 gold-diggers seeking government funds for improved pit safety.

Mafia suspects held

Hundreds of police surrounded a house in southern Italy and arrested 13 suspected members of the Sicilian and Calabrian Mafia.

Mugabe proclaimed

Prime Minister Robert Mugabe, 63, was proclaimed Zimbabwe's first executive president.

Air strikes planned

Italian airport ground staff said they planned several national strikes in January following a series of stoppages over recent months which caused widespread chaos for the country's air travellers.

The Financial Times

The Financial Times will not be published tomorrow, New Year's Day. The next issue will be on Saturday, January 2. We wish all our readers, advertisers and distributors a happy and prosperous 1988.

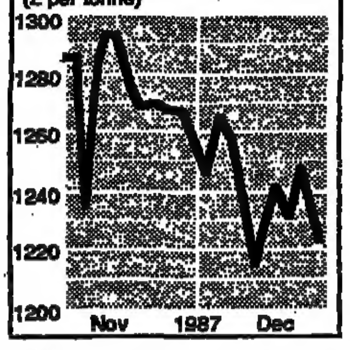
Schneider to sell telcom division

JEUMONT-SCHNEIDER, French industrial equipment maker, completed negotiations to sell 81 per cent of its telecommunications division to Telenorma, an offshoot of West German electronics group Robert Bosch. **Page 14**

SUEZ, recently privatised French banking and investment group, is selling control of its Banque Vernes subsidiary to Italian merchant bank San Paolo di Torino and French insurance group AGF. **Page 15**

COFFEE prices fell in quiet trading as the dollar eased against sterling, with the second

Coffee
2nd Position Futures
(£ per tonne)



position robusta contract losing £10 to close at £1,233 a tonne. **Page 18**

WALL STREET: The Dow Jones industrial average closed up 23.21 at 1,950.10. **Page 30**

LONDON: UK securities regained some poise as central banks stepped in to support the dollar. The FT-SE 100 index ended 29.5 higher at 1,759.8. **Page 26**

TOKYO was closed for the New Year holiday.

DOLLAR closed in New York at DM1.5945; Y123.35; SFr1.2900; FFr5.3975. It closed in London at DM1.5940 (DM1.5955); Y123.35 (Y123.45); FFr5.3950 (FFr5.4025); SFr1.2890 (SFr1.2880). **Currencies, Page 19**

STERLING closed in New York at $1.8595. It closed in London at $1.8585 ($1.8589); DM2.9625 (DM2.97); Y229.25 (Y229.75); FFr10.03 (FFr10.0550); SFr2.3950 (SFr2.3975).

NATIONAL Medical Enterprises, second largest US health care group, reported second quarter net profits up 51 per cent at $43.8m (£23.5m), helped by its switch from general to speciality hospitals. **Page 13**

KUWAIT [illegible] its stake in the UK's [illegible] any British Petroleum [illegible] cent from 17.4 per ce[illegible]

UK ARCHI[illegible]**TS** expect their workloads [illegible] increase 8 per cent next year, following a 39 per cent rise this year, helped by a strong and growing domestic economy. **Page 6**

BUTTLE of New Zealand became the country's second stockbroking firm to cease trading and be declared in default following the stock market crash. **Page 15**

TAIWAN expects economic growth of 7.5 per cent next year, compared with 11 per cent this year, as it starts liberalising imports. **Page 5**

RESERVE BANK of India forecasts a 1.5 per cent growth in the country's gross domestic product in 1987-88, against last year's 4.5 per cent, because of the drought. **Page 5**

BUSINESS failures in England and Wales fell 16 per cent in number to 17,405 this year, their first substantial drop for many years, says business information group Dun & Bradstreet.

EUROPEAN Community and Thailand signed the second International Natural Rubber Agreement, clearing the way for it to come into force next year.

FINNISH exports to the Soviet Union fell by 14 per cent in value this year to FM14.2bn ($3.5bn), largely because of lower oil prices. **Page 2**

PRIVATE housebuilding starts in the UK were the highest for 14 years, the National House-Building Council said. **Page 7**

US space shuttle flights delayed after test failure

BY RODERICK ORAM IN NEW YORK

THE FIRST US space shuttle flight since the Challenger disaster has been postponed indefinitely after the failure of a booster rocket component during a recent test firing.

The problem was unrelated to the ill-designed seals which caused the death of seven astronauts two years ago when the Challenger exploded 74 seconds after launch.

The embarrassing setback, announced on Tuesday, coincided with further evidence of the Soviet Union's lead in manned space flights as Col Yuri Romanenko returned to earth from a record breaking 326 days and 130.4m miles in orbit.

US officials had been pinning high hopes on a resumption of shuttle flights, originally scheduled for June 2, to improve the credibility of the US space programme.

The country needs a heavy schedule of shuttle flights to clear a backlog of satellite launches and space experiments and, in the middle of the next decade, to transport sections of a manned space station.

Scientists at the National Aeronautics and Space Administration, the US space agency, hoped the shuttle's next launch would be delayed by weeks rather than months. But they would not know until a detailed investigation was made over the next few days. The agency had intially declared the two-minute firing on December 23 a success.

The new O-ring seals between rocket sections met specifications in their second of four tests required by NASA before shuttle flights could resume.

The Challenger had exploded after its launch in January 1986, when the previous design of rings allowed exhaust gases to escape and ignite fuel tanks.

But closer inspection after the December 23 firing, the first full-scale test of the redesigned booster rockets, revealed the failure of a flexible "boot" connecting an exhaust nozzle to the booster rocket. Failure of the movable nozzles during flight would affect the shuttle's manoeuvrability and leaking exhaust could cause other explosions.

Although the nozzles, which have a history of near-failures had not contributed to the Challenger disaster, rocket engineers took the opportunity of the shuttle's grounding to redesign them. Almost half the new circular "boot" was missing after the test, but engineers do not know yet whether it was damaged during the firing or when it was being cooled by a deluge of water afterwards. If it is the latter the shuttle launch might face only a short delay.

Mr Morton Thiokol, the booster rocket's designer and builder, declined to elaborate on the comments from NASA engineers.

The company, heavily criticised for its role in the Challenger disaster, suffered a further blow on Monday. An explosion and fire killed four workers and partially destroyed a plant in Utah, where it builds MX missiles.

Equities regain poise as central banks lend weight to dollar

BY PHILIP STEPHENS IN LONDON AND LIONEL BARBER IN WASHINGTON

CENTRAL BANKS intervened in the foreign exchange markets to support the dollar for the third day running yesterday, helping world stock markets to recover some of their poise.

The banks' action coincided with the release of the US index of leading economic indicators which fell 1.7 per cent in November, largely because of the October stock market crash, the Commerce Department said.

Share prices in both London and New York yesterday recouped nearly half of Tuesday's heavy losses. Most European markets also registered small gains.

However, traders in both currency and equity markets said that turnover was a fraction of normal levels ahead of the new year holiday.

The drop in the US index of indicators, the Administration's main barometer of future economic growth, was the steepest since a similar fall in July 1984, and points to an expected slowdown in US growth next year. Last week, the Administration lowered its growth forecast for gross national product in 1988 from 3.5 per cent to 2.4 per cent.

The fall in the index was in line with most financial analysts' forecasts and was offset by revised rises of 0.2 per cent in October and September, damping fears of a recession. Stock prices accounted for nearly two-thirds of the November decline.

The index is designed to predict economic activity six to nine months ahead. It has taken on added significance because many economists are wrestling over conflicting data on the future of the US economy and the chances of a recession in 1988.

The collapse in stock prices was the prime reason the Administration lowered its GNP growth forecast. But its negative effect is to an extent balanced by the strength of US manufacturing where exports are booming on the back of a weaker dollar.

For the first nine months of this year, export volume rose at an annual rate of 18 per cent. The high US trade deficit does not reflect this performance because it measures trade flow by value.

Seven of nine indicators available for November fell. After stock market prices, the largest negative contributors were changes in business delivery times on orders, a rise in unemployment claims and a reduction in the length of the manufacturing working week.

Two indices were not available and two were positive, led by higher manufacturers' orders for consumer goods.

On the central banks' intervention in the currency markets, European officials said that the aim was to persuade the markets that last week's statement by the Group of Seven leading industrial nations was serious in its call for a period of stability for the US currency.

Mr Helmut Schlesinger, vice-president of West Germany's Bundesbank, said central banks in the seven countries had participated in "sizeable" intervention since Monday.

Other officials acknowledged that the intervention yesterday in thin markets was meant to be symbolic rather than decisive.

On the London equity market the FTSE index of 100 leading shares rose by 29.5 points to close at 1,759.8. Wall Street prices finished higher with the Dow Jones Industrial Average rising 23.21 to 1950.1.20.72 to 1,947.61 at lunchtime.

The dollar closed in London at DM 1.5940, fractionally lower than Tuesday's DM 1.5955 and at Y123.35 against Y123.45. Sterling, which eased slightly against most European currencies, also drifted lower against the dollar, closing 0.20 cents down at $1.8590. In New York, the dollar closed at DM1.5945 and Y123.35. The pound closed at $1.8595.

Bundesbank profits hit, Page 12; Currencies, page 19; World stock market reports, Page 30

NYSE study urges reforms

FUNDAMENTAL changes in trading and regulation of financial futures are needed to prevent erosion of public confidence in US capital markets, according to a study on programme trading [illegible] for the New York Stock Exchange, **writes Roderick Oram in New York.**

While futures serve a legitimate hedging function, they can have an undesirable impact on equities when the two types of financial instrument are linked through trading. The problems arise from the conflict between the different purposes, traditions and rules of the two markets, said the report released yesterday. Programme trading involving equities and the stock index futures has been blamed by some critics for contributing to October's stock market crash.

The study, by Mr Nicholas Katzenbach, a former Attorney-General, was begun in March. It did not scrutinise events in October but said programme trades accounted for only 7 per cent of NYSE trading volume on Black Monday, October 19. "The futures market is not, after all, a market for investment but one for hedging and speculating," the report said.

"To link the two markets with such disparate standards defies common sense. It can only encourage trading speculation and lead investors to forget long-term investment and concentrate on short-term trading.

"Longer term, the clash between the two markets could undermine public confidence in this nation's capital raising system," he added.

Continued on Page 12

UK drinks group wins right to bid for Martell

BY HEATHER FARMBROUGH IN LONDON

GRAND METROPOLITAN, the UK drinks and hotel group, has fought back against Seagram, the Canadian spirits company, in the takeover battle for Martell, the second largest French cognac house, with the announcement yesterday that it had secured the approval of the French authorities to launch a £368m ($684.5m) bid for the company.

An announcement is expected today in Paris from the French authorities on the result of an enquiry into the validity of Seagram's earlier agreement with Martell to purchase the controlling family's 41 per cent stake, at FFr2,500 ($463) a share, valuing the company at £345m.

If this is declared invalid, Grand Metropolitan will proceed with a bid for the company, subject to winning acceptances from 51 per cent of the shareholders.

At stake appears to be whether the sale of such a large proportion of shares in a listed company should have gone through the stock exchange.

Discussions started on Tuesday between the French Stock Exchange, the Commission des Operations de la Bourse, the securities industry watchdog and the Treasury. The absence of an announcement yesterday was interpreted by some observers as indicative that pressure was being put on Seagrams and Martell to gracefully withdraw from the arrangement.

Without the family's consent, Grand Metropolitan would be unable to win control of the company, in which it already holds 20 per cent of the shares.

Grand Metropolitan's latest announcement appears to be an attempt to force Seagram and Martell to clarify their arrangement. The company seems to be hoping that Seagram will either be forced to back down, or to make a higher offer, which would have to be 5 per cent above Grand Metropolitan's.

The intensity of the battle for Martell arises from the fact that Seagram and Grand Metropolitan are anxious to introduce a prestigious brandy into their drinks portfolios. Martell also has a lucrative distribution network in the Far East where brandy is popular.

Grand Metropolitan already has a distribution agreement with Martell which it is anxious to maintain. It has said that it does not know how this would be affected if Seagram were to take control.

As foreign companies, Seagram and Grand Metropolitan would both have to secure the approval of the French Treasury before taking over Martell.

The Seagram – Martell transaction is understood to be causing some concern with the French authorities at a time when the process of deregulation is supposed to be accelerating.

Transkei government deposed in coup

By Jim Jones in Cape Town

THE GOVERNMENT of the South African tribal homeland of Transkei was deposed yesterday in a bloodless military coup for the second time in three months.

General Bantu Holomisa, 32-year-old head of the army who led the first coup last September, broadcast the news over local radio, declaring martial law and banning all political activity.

The ousted Prime Minister, Miss Stella Sigcau, and several of her leading ministers were on holiday elsewhere in South Africa.

Miss Sigcau has been accused of corruption, an allegation she levelled against her predecessor, Mr George Mantanzima and his associates.

The Transkei capital of Umtata was reported quiet last night.

This development in the nominally independent state of 2.7m people presents Pretoria, which provides over 80 per cent of Transkei's budget, with an acute embarrassment.

South Africa's 10 homelands remain a cornerstone of government policy.

But instability and corruption in the Transkei, violent protests in a second homeland of KwaNdebele against leaders who opted for this form of "independence," and widespread resentment at a

Continued on Page 12

Dollar's decline hits aerospace manufacturers

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

THE SHARP fall in the value of the dollar over recent weeks has seriously hit the profitability of major aerospace manufacturers, especially Airbus Industrie, the European airliner group.

The extent of the damage so far to Airbus was spelled out yesterday by Mr Michel Noir, French Foreign Trade Minister, in an interview in the French afternoon daily, France Soir.

He said that because of the dollar decline, the group would have to sell its wide-bodied jet airliners in world markets at a loss.

He noted that the dollar's 25 per cent depreciation against the main European currencies over the past year, had wiped out Airbus Industrie's profit margin, which he said was nowhere near as large as some had believed.

As a result, aircraft will be delivered in the coming months at a loss, he said, because they were booked initially in dollars, and their production cost, dictated by labour, materials and other costs, had not fallen by the same 25 per cent (in fact, some other European aerospace sources indicate that such costs have actually been rising).

But Mr Noir ruled out any special State aid for Airbus Industrie, saying "it is up to the four industrial partners of the group (Aerospatiale, British Aerospace, Messerschmitt-Bolkow-Blohm and Casa of Spain) to face up to their operational and financial difficulties."

Mr Noir's comments are likely to be widely echoed throughout the four main partner companies, including BAe, which itself is known to be facing problems because of the dollar's decline.

Worldwide, all aerospace sales are transacted in dollars, the standard currency for international aviation trade, no matter in what currency the costs may be incurred. So far as BAe is concerned, many of its production costs are incurred in sterling, but it is still obliged to sell in dollars.

The fall in the value of the dollar is one of the main reasons for the current emphasis in BAe on getting civil aircraft production costs down.

Sir Raymond Lygo, the chief executive, has said that he is anxious to reduce such costs by as much as one-third by the end of this decade or early in the 1990s, a move he regards as essential if BAe is to cover itself against further declines in dollar values.

Currencies, page 19

Slower air traffic growth

BY OUR AEROSPACE CORRESPONDENT

A SLOWDOWN in the growth of world air traffic is forecast for next year because of uncertainties in the industry following the stock market crash and the dollar's slide. But customers should beneifit considerably next year from recent steps towards liberalisation in the industry, according to forecasts issued yesterday by the International Air Transport Association (Iata).

The association said the number of passengers on scheduled flights rose in 1987 by 13 per cent and the total passed 1bn for the first time. However, prospects for the coming year were more volatile.

Mr Gunter Eser, director-general of Iata, said 1987 "should certainly produce an improved overall financial result for the airlines," but the association was "tentatively forecasting 6 to 8

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OPTIMISM GROWS AMONG E GERMANY'S CIVIL RIGHTS LEADERS

Relations between Erich Honecker's government and his opponents may have reached a turning point, Page 5

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The novel scheme is a mechanism for transferring the losses banks are prepared to accept to the benefit of LDCs

Diplomacy brings timely success for de la Madrid

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S dogged diplomacy to ease its debt problems seems to have paid off.

This week's novel bond-for-debt plan, underwritten by the US Treasury, to write down Mexico's $106bn foreign borrowing by around $20bn and thereby cut its interest bill by about an eighth, may not have lit up a particularly gloomy Christmas for most Mexicans.

Nonetheless it is a timely policy success for President Miguel de la Madrid's beleaguered government, coming on the heels of the most excruciating austerity package it has attempted since Mexico's debt crisis began in 1982.

Government debt strategists see it as further vindication of the approach Mexico has pursued since then, in the face of increasingly vocal calls from the opposition and trade unions to follow Peru and unilaterally reduce debt service.

In essence Mexico's strategy has been to keep alive the ultimate threat of default, while paying in full and squeezing its creditors for concessions and new funds through gradual negotiations rather than confrontation.

Mexico's creditors have usually found it politic to reward this strategy in order to discourage the much vaunted "debtors' cartel."

The spectre of Latin American debtors clubbing together to demand easier repayment terms has haunted banks since 1982. But only recently has it shown any sign of materialising.

In Acapulco last month a Mexican-engineered summit of eight Latin American debtors which owe $350bn threatened collectively, for the first time, to take unilateral action against creditors unwilling to cut debt service to levels each nation considers essential for renewed economic development.

The wording of the final Acapulco communique, prepared by Mexico, was conciliatory in tone but with just enough hint of menace to carry conviction.

What the Acapulco Eight said they would seek, a reduction in debt and debt service to take into account the real market value of their borrowings is, in an attenuated form, what Mexico will now secure if this week's US Government-backed plan prospers.

Even though negotiations leading up to this week's plan started as long ago as May, Mexican debt policy has consistently sought to orchestrate regional solidarity with national self-interest in this way.

In essence Mexico's strategy has been to keep alive the ultimate threat of default while paying in full and squeezing its creditors for concessions

In February last year, President de la Madrid announced that Mexico would seek radically improved repayment terms, against the backdrop of an emergency meeting of the so-called Cartagena Group of 11 regional debtors, called at Mexico's request in Uruguay.

The deal took 13 months to finalise, but was spurred on by Brazil's moratorium on commercial bank interest this February, of which Mexico took full advantage to frighten the stragglers among its bank creditors into a record $7.7bn syndication.

By contrast, in March 1984 and March 1985, Mexico lent emergency funds to Costa Rica, Argentina and the Dominican Republic to prevent them from defaulting.

Though this incongruous spectacle of a Latin megadebtor apparently distributing largesse among its lesser brethren scandalised many here and throughout the region, it was fully consistent with Mexican policy at the time.

In contradiction with their tenacious adhesion to case by case renegotiation with individual debtors, the banks have simultaneously tended to treat Latin America as an undifferentiated black hole for new money, lumping together hitherto good credit risks like Colombia with partial defaulters like Peru.

Thus leaders as dissimilar as President Alan Garcia of Peru, populist, expansive and confrontational, and President Virgilio Barco of Colombia, a retiring, conservative technocrat, and countries as dissimilar in their debt circumstances as theirs, could be found sharing the same platform in Acapulco last month.

Mexican finance officials, yesterday, as ever, wanted it both ways. On the one hand, there had to be some reward "on Earth, rather than in Heaven," as one of them put it, for trying to be a model debtor. At the same time, the Finance Ministry insisted officially that the new deal was entirely consistent with the positions Mexico has defended inside the Cartagena Group and at Acapulco.

In a more than casuistic sense, both are right. For though Mexico has led what former Finance Minister Jesus Silva Herzog once described as "the payers' club" rather than the "debtors' cartel," in each of what will now be four huge debt renegotiations it has pioneered a breakthrough which tends to be extended to other debtors, no matter what banks say at the time about Mexico being "a special case."

Banks with heavy exposure both here and to Brazil are suggesting Mexico's new scheme could serve Brazilian wishes to convert a big chunk of its debt into bonds, for example.

One cabinet minister recently defended Mexico's role as a major contributor to the Latin American pool of "financial engineering," introducing techniques and mechanisms of subsequent benefit to the region as a whole. Mexico is the country that gave the debt circuit multi-year rescheduling agreements, the multi-facility accord of last year and now, it seems, "collateralised" floating rate bonds and the Dutch auction.

President Miguel de la Madrid: optimistic

Behind this terminology are real if limited breakthroughs. Last year's agreement, for example, incorporated contingency finance to underpin minimum growth levels and, for the first time, link the price of oil to debt arrangements.

Though banks subsequently got the wording changed to obscure this link, this did not prevent the Acapulco summit one year later from arguing that if Latin America gets market price for its coffee, beef and grains, its silver, copper and oil, then the banks should get market price for their lending.

This week's breakthrough boils down to a novel form of mild interest relief by reducing the stock of debt while leaving the principle of continued interest payments intact. Assuming that banks take up the option, this is still mild in terms of Mexico's needs.

The yearly interest saving would amount to one quarter of the new budget cuts and tax increases announced this month, equivalent to 3 per cent of gross domestic product, and less than a tenth of the previous cuts in real public spending since 1982, equal to 8 per cent of GDP.

Full external debt service under conditions of such swingeing internal adjustment, ministers argued privately last week, was no longer an option. Even Mexico's rubber stamp Congress, busy endorsing the new cuts, complained this week that the only expenditure item permanently immune from reduction was the foreign debt service bill, calculated in the new budget at 7.5 per cent of GDP or about half projected exports.

The Government now hopes it will begin next year in a position to contradict this.

Banks give Mexican debt plan a cautious welcome

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

"CAPTURE the discount" has been the battle-cry of troubled Third World debtors in 1987.

They have seen banks acknowledging losses on their loans - trading them at deep discounts to face value - and argue that some of the benefits should be passed on to them. If banks did not treat the debt as worth the face amount, why should they do so by continuing to pay interest on the full face amount?

With its novel scheme announced this week, Mexico believes it has taken an important step towards this goal. It plans to retire some of its $78bn debt to banks and issue in exchange new bonds which, though they would bear a higher interest rate, would have a lower principal amount and the backing of the US Government.

The deal, hatched by Morgan Guaranty with the Mexican Government, follows various attempts to create "exit bonds" – enabling banks to replace loan exposure with more tradeable instruments which absolve them from taking part in future new loans. The problem has been that banks have so far not found the terms of exit bonds sufficiently attractive. This is an effort to make them more so.

Mr Robin Monro-Davies, IBCA Banking Analysis of London has been advocating such a scheme for some time. "What's been lacking is a mechanism for transferring the losses that banks are prepared to take to the benefit of LDCs." With the US government acting as "honest broker", the Mexican plan provides just such a mechanism, he says.

Bankers yesterday gave their approval to the principles of the scheme, though they said they would need to look at the precise terms before deciding whether their banks should participate.

Fellow leading creditor banks were taken by surprise by Morgan Guaranty. Some felt Morgan could have discussed the concept with them beforehand, but they also recognised the sensitivity of discussing a forthcoming securities issue and of Mexican internal politics.

Morgan was among those arguing against Brazil's radical proposal to convert compulsorily half its bank debt into low-interest bonds – an alternative method of capturing the discount. However, it argues that the Mexican plan is both voluntary and - the key buzzword "market-based".

Bankers have given their approval to the principles, but say they need to look at the precise terms before deciding to participate.

Ironically, the Mexican plan begins with the strapped debtor actually lending money to the US government – something most problem debtors could not do because they lack the requisite reserves. Bankers said that although the US government's participation is novel and welcome, it is also very limited. It will simply issue $10bn of non-marketable 20-year Treasury bonds and Mexico will buy them by spending $1.86bn of its currently substantial foreign exchange reserves.

These bonds have no coupon. The deep discount of the purchase price works out to a redemption yield of 8.77 per cent, very close to the 9 per cent at which existing US Treasury bonds are trading. So the US is giving nothing away.

Mexico will use these holdings of US Treasuries as collateral on its own issue of securities. It will invite banks to bid to exchange their existing loans for the new debt. The larger the amount of old debt a bank offers to exchange, the greater the chances that its bid will be accepted. Looked at another way, Mexico will accept bids from banks putting the highest discount on the old debt.

Banks will each consider a range of factors before tendering. Most important will be the discount itself. Mexican debt currently trades at about 52 per cent of face value, so for most banks this will represent the value which they could get by exchanging debt for cash.

The new bonds may well themselves trade at a discount to face value, because only the principal, and not the interest, is backed by the US government. Though the interest rate of 1⅝ over money market rates is higher than the existing 13/16, banks might feel it still did not fully reflect the risk. Banks may therefore set a minimum tender price of, say, 60 cents to equal the price which they would get by simply selling debt for cash.

Mexico obtains a reduced stock of debt and, on the face of it, substantially lower debt service payments: instead of paying about 8⅝ per cent interest on $20bn of debt, it could be paying 9⅝ per cent on $10bn. But its costs are actually higher than this because it will be forgoing the interest which it could be earning on the $1.86bn which it will pay to the US Treasury.

Bankers estimate that the mean between the banks' and Mexico's break-even points could be at about 70 cents on the dollar.

Morgan Guaranty yesterday despatched documents requesting banks to waive existing loan clauses which say Mexico's reserves must not be pledged to other creditors.

A key factor affecting each bank will be the regulatory, accounting and tax effects of taking the write-offs which the offer implies. Morgan said it had obtained specific agreement from US regulators that US banks will not have to value all their Mexican exposure at the price at which they sell some of it under the offer.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unemployed	Vacs.
1986							
2nd qtr.	109.7	104.0	97	121.3	154.9	[illegible]	175.8
3rd qtr.	110.9	105.6	96	123.7	158.7	[illegible]	200.2
4th qtr.	111.1	107.4	96	126.5	164.3	3,141	213.9
1987							
1st qtr.	111.9	107.3	95	125.4	167.0	3,073	219.4
2nd qtr	112.4	109.4	93	128.3	166.6	2,965	226.1
3rd qtr	114.7	111.5	92	131.5	171.5	2,827	241.3
April	112.5	109.0	94	130.9	169.9	3,015	217.7
May	113.1	109.6	95	125.4	161.3	2,952	239.5
June	111.7	109.6	93	129.4	167.5	2,925	232.7
July	114.4	111.4	92	131.2	173.7	2,876	235.2
Aug.	115.2	112.1	92	132.5	171.0	2,829	236.9
Sept.	114.4	112.0	92	131.5	171.0	2,773	246.8
Oct.	115.4	113.3		133.9	180.5	2,715	251.4
Nov.				134.4		2,649	[illegible]

OUTPUT-By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	100.6	114.9	98.7	108.1	103.1	14.6
2nd qtr.	105.3	101.1	115.7	102.6	109.6	104.1	19.5
3rd qtr.	106.4	101.2	117.5	102.0	106.5	102.2	19.4
4th qtr.	106.5	103.3	116.6	105.3	115.9	104.8	15.5
1987							
1st qtr.	108.8	102.9	117.3	105.0	112.8	101.9	17.4
2nd qtr	110.8	103.0	117.6	105.9	118.9	105.7	19.6
3rd qtr	112.1	106.2	119.3	109.2	119.9	107.3	20.2
April	110.4	103.6	117.9	106.8	115.0	106.0	18.1
May	111.4	102.6	118.8	106.0	119.0	106.0	20.6
June	110.7	103.5	116.1	106.0	122.9	105.0	20.2
July	112.8	105.2	119.4	108.0	120.6	107.6	20.9
Aug.	113.5	106.1	120.3	109.0	123.0	109.0	17.8
Sept.	112.9	107.5	118.3	110.6	117.9	107.6	21.8
Oct.	114.4	108.3	119.5	111.8	125.0	109.0	17.4

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
2nd qtr.	121.9	129.1	-1,606	+146	+765	102.5	19.39
3rd qtr.	122.6	139.0	-2,891	-856	+621	103.2	22.43
4th qtr.	130.5	144.6	-2,725	-989	+785	103.9	21.92
1987							
1st qtr.	120.0	132.2	-1,136	+572	+1,164	108.5	27.04
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Consumer credit £m	Base rate %
1986							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters commdy.	Sterling
1986							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75.1
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	76.1
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	71.9
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	68.2
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	69.9
2nd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.8
3rd qtr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.7
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.4
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73.3
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73.6
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.8
Aug.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72.3
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73.1
Oct.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73.6
Nov.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	73.4

*Not seasonally adjusted.
†Net change in amounts outstanding, excluding bank loans.

Iran can get round UN arms embargo, says Rafsanjani

BY RICHARD JOHNS

IRAN WILL be able to obtain the weapons it needs to continue the war with Iraq in the face of a UN arms embargo, one of the Islamic Republic's most powerful leaders said in an interview broadcasted on Tuesday night by a leading US television network.

In a defiant response to US-led moves to impose sanctions because of Iran's refusal to accept a UN ceasefire resolution, Mr Ali Akbar Hashemi Rafsanjani, Speaker of the Majlis (Parliament), and the regime's chief war spokesman, told NBC: "They do not have the ability to prevent arms being given."

His statement was aired amid clear signs that the Soviet Union was now prepared to support a Security Council resolution – along the lines of one adopted in July – aimed at bringing an end to hostilities.

At the same time Mr Mir-Hossein Mousavi, the Iranian Prime Minister, yesterday repeated earlier denials by Tehran that Iran was producing chemicals weapons. His statement, published by the official Islamic Republic News Agency, was apparently prompted by a report in the Independent newspaper of London that Iran had agreed to supply them to Libya in return for Soviet-built Skud ground-to-ground missiles of the kind launched against Baghdad in the past.

With reference to the possible establishment of a UN naval task force – Moscow's condition for supporting an embargo – Mr Rafsanjani said that such an international fleet would not bring a halt to Iranian attacks on Gulf shipping serving Kuwait and Saudi Arabia.

"Since the US has come to the Persian Gulf, more ships have been damaged," he pointed out. "We have said Saudi Arabia and Kuwait should not support Iraq, and then on our part no attack would be made against shipping, and security in the Persian Gulf would be secured."

Rafsanjani: more ships damaged

Since the beginning of December the number of confirmed strikes against shipping by both Iran and Iraq has totalled 26, the highest number in a month since the "tanker war" began early in 1984. There have been about 160 attacks over the full year, rather more than 50 per cent over the 1985 level.

Yesterday as the US Navy accompanied the 22nd escorted convoy of reflagged Kuwaiti tankers since the protective operation began in the summer, Iraq claimed that its Air Force had hit a tanker off the Iranian coast. There was no confirmation of the attack from Lloyd's of London or Gulf-based shipping executives.

On the land front both Iraq and Iran boasted of victory in a clash on the central sector near the border town of Mehran, 100 miles east of Baghdad.

Finland sells less to Moscow

By Olli Virtanen in Helsinki

FINLAND'S trade with the Soviet Union declined by 14 per cent in 1987 compared with the previous year, according to figures released by Finland's Licence Bureau, which handles Finnish export applications to the Soviet Union.

The figures contrast sharply with recent assurances by politicians and officials in both countries that bilateral trade would remain on last year's levels.

The Licence Bureau figures showed exports from Finland dropped by FM2.3bn to FM14.2bn ($3.6bn) in 1987. The frame agreement for 1986-90, which outlines trade value between the two countries on a long-term basis, would call for an annual level of exports of FM19.3bn.

The recently negotiated bilateral trade agreement for 1988 sets the overall value of Finnish exports at FM14bn. The drop stems from the low oil prices.

Some 90 per cent of Finland's imports from the Soviet Union are oil-based products. According to the barter principle exports should balance imports in the long term.

Finland currently has a considerable trade surplus with the Soviets. Analysts expect more balancing problems next year as the trade agreement expects the price of crude oil to be $18 a barrel in 1988 as opposed to the current level of about $15.

Caribbean nations meet about Haiti

The Caribbean Economic Community is to hold an emergency summit in Barbados on Monday to seek agreement on policy towards Haiti, **Canute James reports from Kingston.** The meeting follows disagreement in the 13-member Community over the approach to current political developments in Haiti where the military government is staging presidential elections next month.

Reagan aide admits SDI clash remains

By Lionel Barber in Washington

PRESIDENT Reagan's national security adviser, Lt Gen Colin Powell, has admitted to Congress that sharp divisions remain between the US and the Soviet Union over the Strategic Defence Initiative and the interpretation of the Anti Ballistic Missile Treaty.

In a letter to Senator Carl Levin, the Michigan Democrat, General Powell said the Soviets had reserved the right to abandon a planned strategic arms reduction accord if the US tested the SDI "Star Wars" components in space. Indeed, they retained the option to increase their offensive long-range arsenals.

General Powell's statement stands in sharp contrast to the way he - and President Reagan - characterised the US-Soviet understanding on Star Wars after the superpower summit in Washington earlier this month. They implied that the Soviets had given the US a free hand in testing and developing the system.

Senator Levin described General Powell's letter as a "needed clarification" and said that it should help reduce expectations of the likelihood of a pact to reduce strategic nuclear missiles (Start).

President Reagan is expected to visit Moscow next year for a summit meeting with the Soviet leader Mr Gorbachev, but neither side has made a Start accord a prerequisite for such a meeting.

Korea boosts steel sales

JAPAN is replacing the United States as South Korea's largest steel customer this year and the trend is expected to continue for the time being, the Korea Iron and Steel Association said yesterday, **AP reports from Seoul.**

Association officials said South Korea's steel exports to Japan were expected to reach $900m this year, up $200m from last year.

Shipments to the United States, however, are expected to fall from $850m last year to $800m this year, the officials said.

The ageing of the Japanese steel industry and the continuing rise of the yen's value against the dollar made it easier for Korean steel products to make inroads into the Japanese market this year, the officials said.

Helped by the new demand in the Japanese market, this year's Korean steel exports are expected to reach $2.85bn, up $230m over last year, the association said.

Rebel priestess held

Alice Lakwena, the priestess who led a crusade of poorly-armed fanatics against the Ugandan Government this year, has been imprisoned in Kenya, the Kenyan authorities announced, **Reuter reports from Nairobi.**

Mr Justus ole Tipis, the minister responsible for internal security, told the official news agency KNA yesterday that Alice appeared in court at Kapenguria, north-west Kenya, and was sentenced to four months in prison for entering the country illegally.

The Holy Spirit Movement, which Alice founded, appeared to have collapsed about two months ago after heavy losses against government forces in south-west Uganda.

Many of its devotees died armed only with sticks and stones, charging into battle smeared with magic ointments.

Mr Tipis told KNA that Alice entered Kenya illegally on December 26 with seven followers and would be repatriated to Uganda when she had served her sentence.

Venezuela boosts oil profits

By Joe Mann in Caracas

VENEZUELA'S national oil company, Petroleos de Venezuela, the mainstay of the country's economy, reported sharply higher export revenues and profits for 1987.

Petroleos de Venezuela had export earnings this year of $9.43bn, up more than $2.2bn from 1986, according to Mr Arturo Hernandez Grisanti, Venezuela's Minister of Energy and Mines. The minister said that oil exports in 1988 were expected to reach between $9.6bn and $9.8bn.

Exports of crude oil and refined products this year averaged 1.51m barrels per day, up slightly from last year. Venezuela received $16.47 per barrel on average for its petroleum exports in 1987, a considerable improvement over $13.90 per barrel last year.

Despite uncertainties in the world oil market, Venezuela's Government is expecting a small increase in its per barrel export income for 1988. Oil exports next year are projected at 1.52m b/d, up 8,000 b/d. Crude oil production for 1987 was reported at 1.53m b/d, off almost 7 per cent from last year and the Government projects crude output of 1.57m b/d in 1988.

Petroleos de Venezuela, which is Venezuela's largest company, reported net profits estimated at $2.1bn for 1987, up from $1.1bn in 1986. This improvement was due partly to higher prices and sales revenues for petroleum exports, and partly to a shift in foreign exchange rates applied this year to the oil company's financial operations.

Venezuela's proven reserves of crude oil rose from 55.5bn barrels in 1986 to more than 58bn barrels this year, government officials said.

The Venezuelan minister also said that Petroleos de Venezuela placed around 500,000 b/d of petroleum overseas through joint ventures with refining and distribution companies in Europe and the US. Venezuela's goal, he added, was to buy shares in more overseas oil companies to guarantee placement of around 700,000 b/d of Venezuelan crude in concerns where Venezuela was a partner.

Italy spends time before the looking-glass

John Wyles reports on an obsession with the nation's attitudes and behaviour

AS MILLIONS of Italians awake tomorrow with the lingering deafness occasioned by the shattering explosions of fireworks and prosecco corks which traditionally accompany the New Year, they will be able to take some comfort from the knowledge that in 1987 they were taller, healthier, richer and apparently more satisfied than ever before.

Barely a week of the old year has passed without some report on the nation's behaviour and attitudes. With almost narcissistic compulsion, Italians have rushed to the looking glass for reassurance that the slogan of the year – "Italy is changing" – did not mean "for the worse".

In some respects, it has meant just that. Deaths from drug overdoses, for example, have almost doubled to 440 this year while the traffic pollution clogging ancient cities designed for the horse and carriage deteriorates daily.

But according to a report published just this week, the face in the mirror belongs to a healthier, if steadily ageing, body. The incidence of all major diseases, with the exception of tumours, is in decline and no fewer than 66.1 per cent of the 26,553 people sampled were cheerfully optimistic about their health.

But Italy being a land of paradox, its people also have more than a touch of hypochondria. They seem to consult their doctors about 11 times more than the phlegmatic Swedes and five times more than the Americans. Happily, the nation is well geared to meet the demand, with a population of 70,000 university trainee doctors and surgeons, one of the highest in Europe.

The actual or putative sick are demanding a higher volume of tranquillisers than ever before, perhaps as a therapy for exposure to the somewhat sadistic practices of some public services.

Patience is the quality required above all else since, according to another survey people wait an average of 27 minutes for a medical analysis, 30 minutes to draw a pension or to make a payment through a post office and 28 minutes to obtain the simplest document such as a driving licence application. Small beer, however, compared with the four years of waiting for a tax rebate or seven years for a court case to wend to its wearisome conclusion.

Modern Italian life wreaks apparently less havoc on the feminine than the masculine system. More than 50 per cent of Italian women can expect to celebrate their 80th birthdays, while the male tends to turn up his toes at around 71. By 2020, there will be 14m Italians over 60, compared to just 10m today.

The country is "greying" swiftly, thanks to one of the lowest birthrates in the world. In 1987, it plunged by a further 3.5 per cent so that only 535,000 new Italians came into the world, yielding an average 1.27 children per couple.

This often perplexes the foreigner. Should one not expect greater fecundity from a catholic country? Catholicism, however, is increasingly nominal. One professor priest published findings this year which suggested that only 22 per cent of the population go to mass each week and only 3 per cent considered themselves devoted "church militants".

Over Christmas, catholic clergymen could be heard sermonising against the Italian obsession with consumerism and material values. Nevertheless, a survey published in August found that a 51 per cent majority in the north of Italy considered that their salaries amounted to just reward for their employment, a level of satisfaction which dwindled to 38 per cent in the south.

But wealth, as the old cliche has it, does not guarantee happiness. The north-eastern city of Udine, for example, was devastated by an earthquake in 1976 and subsequent reconstruction and generous inundations of public money has put its citizens near the top of the country's per capita income league. This year sociologists have been pondering possible explanations for Udine's suicide rate which is no less than 11.8 per 100,000 inhabitants, compared to a national average of six.

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OVERSEAS NEWS

Strauss warns media over date of Rust release

BAVARIAN Premier Franz Josef Strauss yesterday urged the media to stop speculating about whether West German pilot Mathias Rust would be able to return home before the end of his four-year Soviet prison sentence, Reuter reports from Moscow.

Mr Strauss said continued reports about Mr Rust could hurt relations between West Germany and the Soviet Union and harm the future of the teenage pilot who flew to Red Square last May.

"I think the highest duty of the mass media is that they should keep silent about this name," he told a news conference in Moscow after a three-day visit.

The right-wing premier, who arrived in Moscow on Monday, said he and his hosts agreed to pursue closer economic and technical collaboration between West Germany, particularly Bavaria, and the Soviet Union.

West German sources said Mr Strauss, who held talks with Soviet leader Mikhail Gorbachev on Tuesday, appealed during their meeting for Mr Rust's sentence to be shortened.

The media speculated that West German President Richard von Weizsaecker might be able to win Mr Rust's freedom when he visited Moscow in July and similar reports accompanied Mr Strauss' visit this week.

"This could be of damage to our relations," Mr Strauss said. "We shouldn't deal constantly with this question because this would only do harm to the future of this young person."

Mr Rust is in Moscow's Lefortovo prison awaiting transfer to a labour camp. His appeal for pardon was turned down earlier this month by the Presidium of the Supreme Soviet, the highest state body.

As a result of their talks, a delegation of Bavarian businessmen will come to Moscow soon to discuss new trade possibilities, Strauss said.

"Eighty percent of Soviet exports (to West Germany) is gas and oil," he said. "We would like to see Soviet goods on our markets."

Mr Strauss said the Soviet Union and Bavaria could also co-operate in medical and environmental research and in nuclear energy.

On disarmament, Mr Strauss said West Germany agreed with the Soviet Union that a world-wide chemical weapons ban was verifiable and hoped to be able to convince the US of the same.

The US announced earlier this month that it was starting production of binary chemical weapons because Moscow had huge stocks of them.

"You know that the Americans are our allies, our friends, but that does not mean that on all questions we share their views," Mr Strauss said.

Mr Strauss, a staunch anti-Communist, said he was convinced that real changes were taking place in the Soviet Union under Mr Gorbachev and that the relationship between Moscow and West Germany was also changing.

"The General Secretary, Mr Gorbachev, said that the very visit of our delegation was a sign of a new policy, a new political era in the relations between the Soviet Union and the Federal Republic."

But he warned the West against expecting too much of Kremlin reforms.

"We must recognise that there is a new style of leadership, that many things are changing, but we are not among those who that as a result of the new political style await a change in the political system," he said.

Franz-Josef Strauss

Lawyers' boycott spreads in trials of Palestinians

ABOUT 30 Arab and Israeli lawyers yesterday boycotted the mass trials of young West Bank Palestinians accused of breaking the peace during rioting in the occupied territories earlier this month, writes Eric Silver in Jerusalem.

The lawyers joined their colleagues in the Gaza Strip, who have stayed away from the military courts since the weekend. The lawyers in both areas complain that they are not being given sufficient time to prepare their defence. About 300 of the 900 youths arrested have so far been charged.

Some lawyers did turn up in court yesterday in Nablus, the biggest West Bank Arab town, but they explained that they were handling cases already begun. They would take no new cases.

Mrs Felicia Langer, a left-wing Israeli lawyer who often appears in security cases, said: "It is better to help the accused by protesting than by acceding to what the courts want. We don't want to be a part of the game."

She claimed that lawyers could not do their job within the limitations of time and access imposed by the military authorities. The judges were allowing them only two or three days. In many cases which had not yet come to court, lawyers could not even locate their clients. They were being held incommunicado, she alleged.

Mr Faez Abu Rahma, chairman of the lawyers' association in Gaza, said he did not feel the youths were getting a fair trial. They were not given time to call defence witnesses. Even when there were such witnesses, the courts did not believe them. They only believed prosecution witnesses. "There is," he maintained, "no room for an acquittal." In these circumstances, the accused had little option but to plead guilty.

The lawyers also argued that the sentences already meted out were disproportionate to the offences, such as throwing stones and petrol bombs, blocking roads and burning tyres. The highest sentence in this first week of trials has been two years in prison and a fine of 1,500 shekels ($930).

Israeli spokesmen insist, however, that the trials are being conducted according to accepted standards of military justice. The Judge Advocate General, Brig Gen Amnon Strasnov, vigorously denied accusations of "mass production justice" in an Israeli television interview.

"Justice will be done, and quickly," he said. "One does not contradict the other. Every defendant will enjoy all the rights allowed a defendant in courts in Israel or the (occupied) territories. They have the right to be represented by an attorney, witnesses may be cross-examined and put on the stand. Trials will not be completed within a day if the defendant does not confess."

Brig Gen Strasnov urged the striking lawyers to return to the courts for the good of their clients. He added, however: "We will not stop conducting trials just because attorneys do not want to appear. It is the defendant's right to appoint an attorney to represent him. There is no obligation (for the court) to appoint a defence attorney."

The military said yesterday that the trials were conducted under Israeli laws "instituted in compliance with the Geneva conventions and the Hague articles, specifying the rights and duties of occupying forces." Such edicts are promulgated from time to time on matters like law and order.

Normal civilian life on the West Bank is regulated by Jordanian laws inherited from King Hussein when Israel conquered the territories in 1967. The basic law in Gaza, a strip on the Palestinian coast which was administered by Egypt from 1948 to 1967 but never annexed, is that of the British mandate.

THE EGYPTIAN Government said yesterday that a mass expulsion of Palestinians from the Israeli-occupied territories would violate international law, deepen Palestinian frustration and pose a new obstacle to peace efforts, according to agency reports.

Egypt is the only Arab state to have a peace treaty with Israel. The statement, issued to reporters by Dr Esmat Abdel-Meguid, Egypt's Foreign Minister, urged Israel to heed "the voice of reason". Dr Abdel-Meguid's statement coincided with a meeting yesterday of Israel's 10-member inner Cabinet to discuss deporting Palestinians accused of leading more than two weeks of riots in the occupied West Bank and Gaza Strip.

Meanwhile, a 23rd Palestinian demonstrator died yesterday from wounds inflicted by Israeli troops during riots earlier this month in the occupied West Bank and Gaza Strip, according to hospital and Palestinian sources.

Mr Yitzhak Shamir, Israel's Prime Minister, and Mr Yitzhak Rabin, the Defence Minister, have advocated the expulsion of riot leaders. The inner Cabinet, Israel's top forum on security matters, was reported to be split on the timing and extent of the deportations.

Norwegian ministers heavily criticised

By Karen Fossli in Oslo

NORWAY's minority Labour Government led by Mrs Gro Harlem Brundtland has come under attack from the party's own press which has called for the dismissal of at least four ministers, including Mr Gunnar Berge, the Finance Minister.

Other ministers covering Transport and Communications, Church and Education and Development Co-operation have been heavily criticised by party members for irresponsibility.

Infighting within the Labour Party had been kept behind closed doors until recently when the Finance Minister strayed from promises made to reduce interest rates, which continue to soar.

Mr Kjell Borgen, the Transport and Communication Minister, has come under fire for his handling of proposals for a new international airport to serve Oslo. The airport issue has dragged on, leaving Oslo badly served.

Mrs Brundtland could seize the opportunity to let heads roll at a time when her image is also suffering.

Relief agencies in plea for Ethiopia

The World Food Programme said yesterday that Ethiopia could count on food supplies for its drought victims only for a further three months and new pledges of aid were urgently needed, Reuter reports from Addis Ababa.

"Existing stocks and the confirmed pledges of 445,000 tonnes of food aid can only meet Ethiopia's requirements from January to March — a provision of three months," warned Mr David Morton, the WFP's director of operations in Ethiopia.

Ethiopia's Relief and Rehabilitation Commission says the country will need 1.3m tonnes of food aid in 1988, to prevent more than 5m drought victims in the north and east from starving to death.

Mugabe presidency

Legislators sang and danced in the Zimbabwe Parliament yesterday as Prime Minister Robert Mugabe was unanimously elected the country's first executive president, armed with sweeping powers to transform his country into a one-party socialist state, AP reports from Harare.

Mr Mugabe, 63, who led the white-ruled British colony of Rhodesia to independence as black-governed Zimbabwe on April 18, 1980, will be formally sworn in as head of state, chief of government and overall commander of the armed forces by Chief Justice Enock Dumbutshena today.

Four more die in SA

Police yesterday reported four more deaths in a district beset by black faction-fighting, and prominent black leaders quarrelled about the conflict, AP reports from Johannesburg. The latest victims of violence in black townships around the southeastern city of Pietermaritzburg included a 12-year-old boy, police said in reporting overnight incidents.

The conflict involves supporters of the United Democratic Front, the nation's largest anti-apartheid coalition, and Inkatha, a Zulu political organisation headed by Chief Buthelezi.

Ozal wins vote over economic reform package

By David Barchard in Ankara

THE MOTHERLAND Party Government formed by Mr Turgut Ozal after his election victory on November 29 yesterday won a confidence vote of 290 to 153 after a debate on the Government's programme.

A noisy debate on the programme in the National Assembly suggested that the present Parliament is going to be a very much less tame body than its predecessor.

Though Mr Suleyman Demirel, leader of the True Path Party, the third largest grouping in Parliament, made a rousing speech during the televised debate, Mr Ozal and his Government enjoy a massive parliamentary majority.

The programme commits the Government to continue with economic and infrastructural reforms begun by its predecessor in 1983.

● Samet Aslan, a Turk accused of complicity in the attempted assassination of Pope John Paul II in 1981, was found dead yesterday in a prison in Agri.

Soviet Union to establish currency bank

THE SOVIET Union is setting up a new bank to handle the country's reserves of hard currency and deal on international money markets, the official Tass news agency said yesterday, Reuter reports from Moscow on Wednesday.

Tass said the Bank for Foreign Economic Activity would start operating from the new year and named its chairman as Mr Yuri Moskovsky, 45, an adviser on banking and money matters to the Soviet Council of Ministers.

The bank is being set up under a resolution on a reorganisation of the banking system approved by the Council of Ministers last July.

The resolution said the bank would "guarantee the organisation and conduct of export-import and non-trade operations... rational and economic use of the country's hard currency resources, (and) the implementation of operations on the international currency and credit markets."

Five other new banks were set up under the resolution.

Japanese oil companies 'reduce trade with Iran'

JAPANESE companies are sharply cutting new oil import contracts with Iran and laying off staff or closing their Tehran offices, the mass circulation daily Yomiuri Shimbun reported yesterday, Reuter reports from Tokyo.

The cuts follow advice from the Ministry of International Trade and Industry to Japanese companies urging them to reduce their dealings with Iran, the newspaper said. A Miti spokesman was not available for comment because of the extended New Year holiday.

Japan receives more than half its oil supplies through the Strait of Hormuz and has been anxious to avoid antagonising either Iran or Iraq, the Gulf war combatants.

Yomiuri Shimbun said Japan was expected to reduce new oil import contracts by a third from January next year to around 240,000 barrels of Iranian crude.

Japanese companies plan to reduce Tehran staff by an average of 20 per cent to a total of 210 employees, and two unidentified companies have closed their Tehran offices, it said.

Trade between Iran and Japan fell markedly during the first half of 1987. Japan's dollar-based imports to Iran dropped 20 per cent to $537m, while its imports from Iran fell 22.6 per cent to $846m.

Yomiuri Shimbun speculated that Iran might take some retaliatory action against Japan for its trade reduction.

Washington has been urging Japan to join in an economic boycott of Iran, and Tokyo trade officials said the Miti move was widely interpreted as a gesture to allay this pressure.

US expels Chinese diplomats

TWO CHINESE diplomats were expelled from the US last week for activities incompatible with their diplomatic status, the State Department said yesterday, AP reports from Washington.

The Washington Times reported the two had been arrested by the FBI on suspicion of espionage.

The State Department, declining comment on the espionage allegations, said: "We requested that the Chinese arrange for their departure within a reasonable amount of time, which they have done."

The newspaper said the men were arrested on December 21 after one of them, an assistant military attache at the Chinese Embassy, received what he thought were classified National Security Agency documents.

Citing an unidentified source close to the case, the newspaper said the attache was arrested while he and a double agent working for the US government were in a restaurant in Washington's Chinatown. It was not known if the second diplomat was also at the restaurant.

The arrests came four days after a Soviet diplomat being watched by the FBI was arrested in New York. Mr Mikhail Katkov, a mid-level official at the Soviet mission to the United Nations, "was unquestionably involved in espionage ... It involved defence-related technology," a US government official said at the time. Mr Katkov was ordered to be deported.

The arrests of the Chinese diplomats followed a year-long investigation by the FBI's Washington field office, the Washington Times reported.

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Japan's European car sales surge

BY JOHN GRIFFITHS

JAPANESE CAR sales in Western Europe climbed sharply in November, indicating a possible end-of-year attempt by their manufacturers to regain a slight loss of market share in the first 11 months of the year.

The upturn has already put the Japanese on course for record West European sales this year, measured in unit terms.

This is partly because total new car sales in Europe are now certain to exceed 12m for the first time. After 11 months they had reached 11.53m, compared with 10.8m in the same period last year and 11.67m for 1986 as a whole.

Never the less, if the Japanese surge is shown to have continued during December, it could present Japanese trade officials with a difficult situation next month when they are due to meet their European Community counterparts.

Japan's Ministry of International Trade and Industry warned Japanese car companies earlier this year of a possible protectionist backlash if they did not stop their stronger push into Europe's car markets. This had resulted from a diversion of exports from the US because of the collapse of the dollar.

The 15.6 per cent November increase resulted in sales of 100,187 Japanese cars compared with 86,663 in the same month a year ago.

They took sales for the first 11 months to 1,303,065, a 1.6 per cent rise on the 1,282,987 of the year-ago period, despite the Japanese producers' market share falling slightly, to 11.3 per cent from 11.8 per cent.

The EC-Japan talks will attempt to break a deadlock over EC demands for Japan to accept a long-term accord to limit car exports to the EC until 1992, when trade barriers within the EC are due to be dismantled.

Industry statistics show that the Volkswagen group, embracing also Audi and Seat of Spain, clung to a slight lead in Western Europe's 17-nation car market over the first 11 months. It had a share of 14.9 per cent, compared with 14.3 per cent for the second-placed Fiat group, which includes Alfa Romeo, Lancia and Ferrari. Ford and Peugeot were tied at 12 per cent, followed by General Motors (10.7)and Renault (10.5).

Malaysian opposition leader among 33 critics detained

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN authorities have confirmed that 33 government critics, including Mr Lim Kit Siang, the opposition leader, and Mr Karpal Singh, a prominent human rights lawyer, have been served with two-year detention orders.

They were among more than 100 people arrested in a massive security crackdown last October, ordered by Dr Mahathir, the Prime Minister, to defuse rising racial tensions between the Malays and Chinese.

News that such a large number of opposition figures have been placed under two-year detention terms was greeted with shock; earlier the authorities had released more than half the 106 detainees, giving rise to hopes that most of the remainder would be freed soon.

Apart from Mr Lim and Mr Karpal, the police refused to disclosed the names of those serving two-year detentions. They are believed to include opposition MPs, Islamic and church workers, social and trade union activists.

Mr Lim's Democratic Action Party, the largest opposition party in Parliament, said seven of its MPs were served with the two-year orders. Under the Internal Security Act, detainees can be held indefinitely without trial, and the Supreme Court last week confirmed there was nothing that could be done unless Parliament changed the law.

Mr Lee Lam Thye, acting DAP leader, accused the Government of using the act to crippled legitimate opposition, and warned abuse of the act would lead to public disillusionment with the democratic system and encourage political extremism.

Mahathir: shock detentions

Ershad pledges boycott will not prevent polls

PRESIDENT Hossain Mohammad Ershad of Bangladesh has said that fresh elections would take place even if the main opposition groups boycott the polls, **Reuter reports from Dhaka.**

He told officials on Tuesday: "Boycott by big parties like the Awami League or the Bangladesh Nationalist Party will not hinder polls. The country has more than 100 political parties."

The Awami League and Bangladesh Nationalist Party, led by Sheikh Hasina and Mrs Khaleda Zia respectively, are leading a campaign by 21 opposition parties to topple President Ershad by strikes and demonstrations.

President Ershad, who seized power in a bloodless coup in March 1982 but re-established civil rule in November 1986, has refused to step down. He said this week that repeated opposition-led strikes and violence set back economic and social progress and that peace-loving Bangladeshis would not put up with it any longer.

The president urged opposition leaders to change their mind and talk to him about resolving the political crisis."I also urge them to take part in the elections if they really want welfare and believe in democracy," he added.

Western diplomats said President Ershad might again put his credibility at risk if he held elections with the leading parties abstaining. Sheikh Hasina said yesterday that any election without participation of the major parties would be a farce.

President Ershad imposed a state of emergency on November 10 and later dissolved the one-year-old parliament to prepare for new polls.

Most opposition parties want him to transfer power to an independent caretaker government.

According to the Bangladesh constitution, general elections are to be held within three months of the dissolution of parliament.

Taipei braced for fall in growth as trade is freed

TAIWAN is preparing for slower growth in its export-led economy next year as it begins to liberalise imports and deal with demands from the US, its largest trading partner, **Reuter reports from Taipei.**

"1988 is a critical year for us and we are sure to face more problems in our economy," Chao Yao-tung, chairman of the Council for Economic Planning and Development, said.

Taiwan expects growth of more than 11 per cent this year, slightly less than in 1986. It has set its 1988 growth target at 7.5 per cent.

"Whether we can achieve our 1988 GNP growth target depends on whether we could upgrade our industrial structure and productivity to offset some of the problems," Chao said.

The problems include a loss of preferential trade treatment from Washington, a further appreciation of the Taiwan dollar and keener competition from other Asian countries, he said.

Chao said US pressures for a faster rise in the value of the Taiwan dollar would not stop despite a fall in Taipei's trade surplus with Washington next year.

Taiwan will reduce tariffs, averaging about 50 per cent, on 3,575 imported products from tomorrow.

The cuts could threaten local manufacturers, including car, textile, machinery, footwear and sporting goods makers.

"More liberalisations will be at the expense of our own industry. There will be more closures of our factories and a rising unemployment rate," said Duan Wei, director of the Bureau of Statistics, without giving figures. Economists said they doubted the Government could achieve its GNP growth target for next year because of a further surge in the local currency and fierce competition from other Asian countries.

Drought hits Indian growth prospects

By K.K. Sharma in New Delhi

THE SHATTERING effect drought has had on the Indian economy this year has been underlined in the latest review of the Reserve Bank of India.

The bank is forecasting that the country's gross domestic product will grow by 1.5 per cent in 1987-88 compared with last year's 4.7 per cent, which points to a poor performance by all sectors of the economy.

The bank's annual report on currency and finance says that the overall picture is far from encouraging. Grain production is expected to be down by 10m to 15m tonnes over the previous year's estimated output of 150m tonnes while industrial growth is expected to be much lower than the 9 per cent average of the previous two years.

The report says that if the current winter crop reaches 76m tonnes the shortfall in the summer crop could be partly offset, in which case the drop in production will not be as severe as in the drought years of 1965-66 and 1979-80.

Although industrial production in the first four months of 1987-88 (April to July) has risen by 12.6 per cent and is double that of the same period last year, the Reserve Bank expects demand in rural areas to decline as a result of the fall in agricultural incomes. This it says will hit several industries and has already been signalled by a build-up of inventories in fertiliser plants.

The bank has also called for a close watch on the balance of payments because the situation is expected to worsen despite the decline in the trade deficit this year. It says that foreign exchange reserves fell by Rs9.36bn (about £400m) in the first eight months up to November compared with a fall of Rs4.93bn in the same period last year.

The Reserve Bank also warned of a higher inflation rate. The current wholesale index (which is the official measure of inflation) is said to be 9.8 per cent in the period April to October 1987, compared with 7.4 per cent in the same period of last year.

Pastor stands his ground against 'state power'

Leslie Colitt in East Berlin examines the consequences of a midnight raid on an East German rectory which resulted in the strengthening of the grass roots civil rights movement

"ONLY WEAK citizens have strong governments," a sticker on the door of Pastor Rainer Eppelmann's flat in East Berlin reminds visitors.

The Lutheran pastor, who bears a striking resemblance to Lenin, is in the forefront of East Germany's civil rights movement. He and like-minded East Germans believe an event of seminal importance has just taken place in their relationship with "state power," as the Communist leadership calls itself.

"We realise our strength now," said Pastor Eppelmann. His Samaritan Church is a centre for grass roots civil rights activists who are protected by the Protestant Church. The members of his Peace Group, who meet regularly in the parish hall, are mainly between the ages of 18 and 30. Not all of them are religious, but are sheltered by the pastor, who believes that the traditionally apolitical church only has a future if it espouses the cause of civil rights.

The event which gave rise to the pastor's optimism began as a midnight raid by the authorities on the rectory of Pastor Hans Simon, of East Berlin's Zion Church. On November 25, officials of the Public Prosecutor's Office and the State Security Ministry swarmed into the basement rooms of the rectory, which houses East Germany's only environment library. Seven young people, who were preparing to mimeograph a monthly environmental bulletin, were taken into custody and the ancient machines carted away.

The East German newsagency ADN reported the next day that they were "caught in the act of producing subversive publications" behind the backs of the church. Arrest warrants were issued for two of the young people, while many others were taken into custody in East Berlin and other East German cities.

A 10-year-old *modus vivendi* between church and state was at stake as church leaders opened talks with the authorities to gain the release of those arrested. Most East Berliners, however, suspected the church had little choice but to give in to the authorities.

But, in the following days, hundreds of sympathisers gathered at Zion Church, many with lighted candles, to demonstrate for those under arrest. They were undeterred by the dozens of plain clothes security officials and policemen who ringed the church. When some citizens who took part in a vigil outside the church were dragged away by the police, others immediately took their place. It was a display of unprecedented civil courage and solidarity which astonished the authorities and some church leaders as well.

Both sides in the negotiations between the church and the State Secretary for church affairs, Mr Klaus Gysi, saw the danger of the conflict escalating. The vigil was relocated inside Zion Church and the authorities released the detained citizens along with the arrested men, pending the outcome of an investigation.

Never in the annals of East German justice had a lawyer for the church been allowed, as now, to examine the State Prosecutor's evidence against the accused. And there was none. Equally surprising, the prosecutor admitted the raid had not been aimed against the environment library or its environmental bulletin.

Instead, it was designed to prevent the printing of a critical samisdat publication called *Grenzfall* (borderline case). The authorities, however, knew that *Grenzfall* was not printed in Zion Church. Shortly afterwards the investigation against the arrested environmentalists was quietly dropped. East Germany's "state power" had for the first time in memory admitted, at least indirectly, that it had blundered.

Church officials are convinced that East Germany's leader, Mr Erich Honecker, was not behind the "provocation" in Zion Church. They see it as the work of over-zealous hardliners in the ruling Politburo. They point at Mr Egon Krenz, the Central Committee Secretary who is responsible for security and thus the all-pervasive Ministry of State Security.

Mr Krenz, who is no longer unchallenged as a prospective successor to the 75-year-old Mr Honecker, is widely regarded as the leader of the "concrete heads" in the Politburo.

Paradoxically, Mr Honecker, too, was once regarded as a hawk but has gained a measure of sympathy from East Germans by improving relations with West Germany and allowing many more citizens to travel to the West.

Again last week, State Security swung into action the day before Mr Mikhail Gorbachev arrived in East Berlin from the Washington summit. Several human rights activists were detained in East Berlin for planning to present a petition to the authorities

Pastor Eppelmann said the vigil at Zion Church was nonetheless a turning point in relations between "politically engaged" East Germans and "state power." Significantly the authorities had confirmed that the independent environment library and its publication were not illegal. The church, too, gained wider respect by standing firm. One of the young men released from custody after the church's intervention, thanked its leaders during a service in Zion Church attended by nearly 1,000 East Berliners.

"You did it not only for us", he said, "but for the entire country, for all those who want to walk unbowed."

Mr Gorbachev and his reforms in the Soviet Union played no small part in the drama enacted in East Berlin. A Soviet diplomat, who attended a thanksgiving service at Pastor Eppelmann's church for the US-Soviet missile agreement, received a standing ovation.

"The applause was for Gorbachev and perestroika", the pastor noted.

He had few illusions, though, that East Germany was about to be caught up in a wave of civil rights demonstrations. Most East Germans, he said, were mainly concerned with what is in their "wardrobes and cooking pots".

But outside the rectory of Zion Church this week stood a battered Lada car with a slogan printed across its rear windscreen: *Auf die Dauer hilft nur power* (In the long run only power will help). A hand-painted sign at the rear entrance to the rectory's basement warned: "They must remain outside." Instead of the customary picture of a dog, however, it showed a policeman and a State Security official.

Sun newspaper accused over broken embargo

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

A MAJOR row has broken out over the premature disclosure of the new year honours list, which is officially released this morning.

Mrs Margaret Thatcher, Prime Minister, was last night said to be "furious" at the decision of Mr Rupert Murdoch's Sun newspaper to break by 24 hours the *embargo placed on publication* of the honours

The traditional honours list this year contains nearly 900 names. It recognises contributions to the public and political life of the nation and includes services to industry and the performing arts.

Mr Bernard Ingham, the Prime Minister's press secretary, claimed that the Sun's action was "absolutely disgraceful" and yesterday *wrote to Mr Kelvin* Mackenzie, the editor, demanding an early explanation. The newspaper said it had no comment.

The Sun printed on its front page details of two George Medal winners, honoured for their bravery when the "Herald of Free Enterprise" car ferry capsized off Zeebrugge in March.

Despite the open anger in Downing Street over the affair, *the view* is that the immediate damage has been done and officials will now take time to consider possible punitive action.

One option is to end the embargo system under which information is released to the media in advance of the publishing date to assist the detailed preparation of news coverage.

The honours list, which does *not normally include awards for* heroism, contains the names of 31 people involved in the ferry disaster, which led to the loss of 189 lives.

The George Medal is awarded to Mr Andrew Parker, a passenger on the ferry who helped others escape and to Mr Michael Skippen, the ferry's head waiter, who drowned after remaining at *his post while trying to prevent* panic breaking out. Honorary *awards go to* 13 Belgians involved in the rescue operation.

The list also includes three life peerages, one of them for Sir Robert Armstrong, the retiring Cabinet Secretary and head of the Home Civil Service. Sir Robert, Whitehall's most senior civil servant, retires today after a 37-year career in the Civil Service.

He became a public figure, however, only in the aftermath of the the Westland affair and after giving evidence in Australia, where the Government unsuccessfully attempted to ban the publication of "Spycatcher", the memoirs of Mr Peter Wright, the former MI5 officer.

There is also a knighthood for Mr Robin Butler, who replaces Sir Robert as Cabinet Secretary. A former principal private secretary to Mrs Thatcher, 48-year old Mr Butler has most recently been second permanent secretary at the Treasury.

The other peerages go to Sir John Donaldson, a former High Court judge and, since 1982, Master of the Rolls, and to Rabbi Sir Immanuel Jakobovits, the Chief Rabbi.

Knighthoods are awarded to *several leading figures in the* industrial and commercial world, including Mr John Cassels, director general of the National Economic Development Office, Mr Ralph Robins, managing director of Rolls-Royce and Mr Philip Beck, chairman of John Mowlem, the construction group.

Other knighthoods go to Mr Michael Caine, chairman of Booker, the *health products* to food distribution group, Mr Paul Girolami, chairman of Glaxo Holdings, Mr Simon Hornby, chairman of W.H. Smith and Son Holdings, and Mr Christopher Benson, knighted in his capacity as chairman of the London Docklands Development Corporation.

Among 56 political honours are knighthoods for three Tory MPs. They are Mr Neil Macfarlane, Mr Charles Morrison and *Mr Jim Spicer*.

Also included in the political awards is a knighthood for Mr Antony Jay, who has been regularly enlisted to help write ministerial speeches, particularly for the Chancellor of the Exchequer.

In the arts world, there is a Companion of Honour for Mr Anthony Powell, the author, and a knighthood for Mr Alan Bowness, *the new director of the* Tate Gallery in London. Mr George Martin, the composer and record producer, best known for his work with The Beatles, receives a CBE.

Several sports personalities receive honours, most notably Mr Henry Cotton, the golfer, who died in December. He was aware of the Queen's decision to honour him with a knighthood.

Thatcher looks towards 'age of freedom and stability'

BY OUR POLITICAL CORRESPONDENT

BRITAIN'S POLITICAL leaders yesterday issued traditional new year messages which painted highly contrasting visions of what lies ahead for the nation in 1988 and beyond.

While Mrs Margaret Thatcher, Prime Minister, looked forward to "a new age of freedom, peace, prosperity and stability," Mr Neil Kinnock, Labour leader, gave a warning of a future Britain in which "shabbiness, violence, division and debt" were in the ascendancy.

Mrs Thatcher said there had been several big achievements this year, notably the mainte*nance of a strong* UK *economy* capable of withstanding economic upheavals and the signing of a US-Soviet arms reduction treaty.

She said the challenge in 1988 was to safeguard the hopes of peace by being prepared to defend as well as ready to negotiate. *The reduction by half of* east-west stockpiles of strategic missiles was *now* "a real prospect" and negotiations for a fair balance of conventional forces in Europe, together with the elimination of chemical weapons, also had to start.

Neil Kinnock: Tories 'squeezing liberty'

Margaret Thatcher: 'safeguard hopes of peace'

In a resume of proposed legislation in the coming months, Mrs Thatcher said the Government's *main task was to "extend the* benefits of a free and prosperous economy to all our people."

Families had to freed from the petty tyranny of town hall landlords by giving council tenants a greater say in running their estates, while parents should have the right to choose the sort of education they wanted for their children.

*She reaffirmed her determina*tion to introduce the controversial community charge, or poll tax, and said the Government's programme represented the greatest programme of reforming *legislation* seen this century.

Mr Kinnock also welcomed the signing of the INF treaty in Washington, suggesting that it should form the basis for a new spirit capable of challenging war, want, terrorism *and other men*aces to humanity.

But he attacked the Government, which he said would not show a sense of constructiveness and conscience in the world any *more than it did at home*. The Tories were "squeezing liberty," by attacking local democracy, trade unions and the media.

Mr David Steel, the Liberal leader, also claimed democracy was under attack by the Tories but he said that Labour would remain incapable *of* providing an electable opposition.

Recent talks with the SDP to create a new party had proved difficult but he believed only a "tiny minority" would refuse to join. The next year would see a New Liberal and Social Democratic Party "returned to the fray."

Mr Robert Maclennan, the SDP leader, said Britain now required a genuine, new political force to challenge "the disturbing prospect of becoming a Japanese-style, one-party democracy."

Industry must spend more, says CBI

BY RALPH ATKINS

BRITISH industry needs to spend an additional £8bn a year or more on investment in plant, technology and training if it is to overcome worsening skill shortages and compete successfully abroad, Sir David Nickson, president of the Confederation of British Industry, *says in his new* year message.

To achieve this the Government must make lower taxes and costs in industry a priority, he says.

The prime responsibility lies with business, he says, but Government has a "key role" in moderating the burden of overheads.

"Some 60 per cent of the real increase in the surplus earned by business over the past four years has been pre-empted by higher payments of corporation tax, rates, and National Insurance *contributions*."

His list of priorities for the *Government* includes lower taxes on business, competitive exchange and interest rates, and the prevention of unnecessary increases in electricity prices, business rates and other costs.

He says UK business confidence is still strong in spite of the slide on world stock markets. Sir David adds that the economy is strong and forecast to grow by about 2 per cent in 1988. Government spending is under control *and inflation is predicted to fall* to just above 3.5 per cent in the next 12 months.

"Nevertheless, competitive pressures in world markets are *intensifying and British* companies will have to fight harder to *increase sales*."

The planned creation of a single European market by 1992 offers important opportunities for companies, Sir David says. Half the UK's overseas trade is now with European Community countries.

"All UK businesses should now be planning for European-wide distribution, marketing and production to take advantage of this enlargement of their 'home' market," he says.

BSB plans contest for space TV equipment

By Raymond Snoddy

BRITISH SATELLITE Broadcasting, the UK's £625m Direct Broadcasting by Satellite venture, is launching an international competition for the most cost effective receiving equipment which will bring three new television channels from space into the home.

The BSB business plan envisages 1m subscribers by the end of the second year, suggesting a receiver market worth around £150m at factory prices in that period.

Next month BSB, whose shareholders include Granada, Pearson, publishers of the Financial Times, the Virgin group, Reed International and the Bond Corporation of Australia, will send out about 50 invitations to electronics companies in the UK and the rest of the world.

BSB then intends to chose three sole suppliers of receiving equipment.

Mr Graham Grist, managing director of BSB, said yesterday that the three companies chosen would be sole suppliers for the first two or three years of the project. "Then we will let it rip," he said.

The aim of chosing guaranteed suppliers is *to ensure large enough production runs to keep* the cost to the consumer as close to £200 as possible.

Mr Grist said yesterday that BSB's two satellites now being manufactured by Hughes Aircraft of the US were ahead of scheduled and the launch date for the first on a McDonnell Douglas rocket was fixed for August 15 1989.

Companies such as Ferguson, *now part of Thomson*, the French electronics group, Philips of the Netherlands, Salora of Finland and Mr Alan Sugar's Amstrad Electronics of the UK are likely to be invited to take part in the competition although any company could ask to take part.

Each company will be asked to specify a maximum price for their equipment and this will be an important factor in the final decision *expected by Easter*.

No minimum production level will be set, although Mr Grist said yesterday that he expected each of the three companies chosen to produce at least 100,000 each in the first year to get low price equipment into the shops as quickly as possible.

BSB has decided to build in the capacity for pay-per-view (charging for individual programmes) from the beginning of the project.

New Year honours for politics and industry

Peter Brooke
Privy Counsellor

Frank Rogers
Knight

Michael Caine
Knight

John Maltby
CBE

John Cassels
Knight

Sir Robert Armstrong
Baron

Paul Girolami
Knight

John Spalding
CBE

Simon Hornby
Knight

Ralph Robins
Knight

INDUSTRY, politics and the civil service all feature prominently in this year's New Year honours. Well known personalities in sport, science and the arts are also included in the list, which includes three life peers, three privy counsellors and one companion of honour

LIFE PEERS

Barons

Sir Robert (Temple) Armstrong, lately Secretary of the Cabinet and Head of the Home Civil Service.

Sir John (Francis) Donaldson, Master of the Rolls.

Rabbi Sir Immanuel Jakobovits, chief rabbi of the United Hebrew Congregation of the British Commonwealth.

PRIVY COUNSELLORS

Mr Peter Leonard Brooke, chairman of the Conservative Party and MP, City of London and Westminster South

Mr Antony Harold Newton, Minister for Health and MP for Braintree.

Mr Cranley Gordon Douglas Onslow (MP, Woking).

COMPANION OF HONOUR

Mr Anthony Dymoke Powell, author.

KNIGHTS

Mr Richard Stanley Barratt, Chief Inspector of Constabulary.

Mr Edgar Philip Beck, chairman, John Mowlem.

Mr Christopher John Benson, chairman, London Docklands Development Corporation, for public services.

Mr Alan Bowness, director, Tate Gallery.

Mr Ronald Alfred Brierley, for services to business management and the community.

Mr Michael Harris Caine, chairman, Booker.

Commander Ian Tofts Campbell, for political and public service.

Mr John Seton Cassels, director general, National Economic Development Office.

Mr Alan Hugh Cook, Jacksonian professor of Natural Philosophy and Master of Selwyn College, Cambridge.

Mr Henry Cotton, for services to golf.

Professor Henry Clifford Darby, for services to the study of historical geography.

Mr Paul Girolami, chairman, Glaxo Holdings.

Mr Alexander John Gordon, senior partner, Alex Gordon Partnership.

Mr Anthony Herbert Grabham, consultant surgeon, Kettering and District General Hospital.

Mr Kenneth Green, director, Manchester Polytechnic.

Mr Simon Michael Hornby, director and chairman, W H Smith and Son Holdings, and chairman, Design Council.

Mr David Anthony Jacobs, for political services.

Mr Antony Rupert Jay, for political and public service.

Mr John Patrick Grosvenor Lawrence, for political and public service.

Mr Hugh Frank John Leggatt, member of the Museums and Galleries Commission.

Mr John Warren Loveridge, for political and public service.

Mr David Neil Macfarlane (MP, Sutton and Cheam), for political service.

Mr Donald Murdo McCallum, chairman, Ferranti Defence Systems, for services to industry and education in Scotland.

Mr Charles Andrew Morrison (MP, Devizes) for political service.

Mr Kenneth Gordon Oxford, Chief Constable, Merseyside police.

Mr Ralph Harry Robins, managing director, Rolls-Royce.

Mr Frank Jarvis Rogers, chairman, EMAP.

Mr Maurice Shock, lately vice-chancellor, University of Leicester.

Mr John Lindsay Eric Smith, chairman, Landmark Trust.

Mr James Wilton Spicer (MP, Dorset W), for political service.

Judge Ernest Sanderson Temple, Recorder of Liverpool.

Professor Bernard Evans Tomlinson, chairman, Northern Regional Health Authority.

Mr Harry Anthony Wheeler, president, Royal Scottish Academy.

Mr Anthony Wilson, head of government accountancy service and accounting adviser to the Treasury.

ORDER OF THE BATH

GCB

Sir Brian (David) Hayes, Permanent Secretary, Department of Trade and Industry.

DCB

Miss Anne Elisabeth Mueller, Second Permanent Secretary, Treasury.

KCB

Mr Frederick Edward Robin Butler, Second Permanent Secretary, Treasury.

CB

Mr James G. Ashcroft, Deputy Under Secretary of State, Ministry of Defence.

Mr Daniel Barry, Permanent Secretary, Department of the Environment, Northern Ireland.

Professor Ernest A. Bell, director, Royal Botanic Gardens, Kew.

Mr John R. Bickford Smith, senior master, Queen's Bench Division.

Mr Roger J. Dawe, Deputy Secretary, Department of Employment.

Mr Edward P. Kemp, Deputy Secretary, Treasury.

Mr Neville F. Ledsome, Under Secretary, Department of Trade and Industry.

Mrs Barbara H. MacGibbon, senior principal medical officer, Department of Health and Social Security.

Mr George L. McLoughlin, lately Deputy Director of Public Prosecutions, Northern Ireland.

Mr Michael J. Moriarty, Deputy Under Secretary of State, Home Office.

Mr Howard D. Mylland, deputy comptroller and auditor general, National Audit Office.

Mr John Peters, Under Secretary, Ministry of Defence.

Mr William H.G. Rees, chief veterinary officer, Ministry of Agriculture, Fisheries and Food.

Mr James A. Scott, secretary, Scottish Education Department.

Mr John W. Stevens, Under Secretary, Cabinet Office.

Mr John H. Thompson, Under Secretary, Department of Education and Science.

Mr James H. Willcox, Clerk of Public Bills, House of Commons.

ROYAL VICTORIAN ORDER

KCVO

Mr Gerard Charles Peat, partner, Peat Marwick Mitchell, Auditor to the Queen's Privy Purse

ORDER OF THE BRITISH EMPIRE

GBE

Sir Joshua Hassan, lately Chief Minister of Gibraltar

DBE

Miss Barbara E. Clayton, professor of chemical pathology and human metabolism, University of Southampton.

Miss Judi Dench, actress.

Mrs Elaine Kellett-Bowman (MP, Lancaster), for political service.

CBE

Mr J.D. Allen, chairman, Cwmbran Development Corporation.

Mr K.A. Allen, lately director general of printing and publishing, Her Majesty's Stationery Office.

Mr K.H.A. Allen, grade four, Department of the Environment.

Mr J.A. Alston, vice-chairman, Norfolk County Council.

Mr P.W. Barker, chairman and chief executive, J.H.Fenner (Holdings), for services to export.

Mr B.R. Bassett, for services to Royal Ordnance.

Mr J.C. Brocklehurst, professor of geriatric medicine, University of Manchester.

Mr R.A. Bullock, chief fire officer, London Fire and Civil Defence Authority.

Mr S. Cantacuzino, secretary, Royal Fine Arts Commission.

Mr W.M. Carson, for services to commerce and industry in Northern Ireland.

Mr D.A. Chamberlain, consultant cardiologist and consultant physician, Royal Sussex County Hospital.

Mrs E.O. Cowan, chief commoner, City of London.

Professor C.D. Cowan, director, School of Oriental and African Studies, University of London.

Mr A.G. Cox, chief executive, Allied Steel and Wire.

Mr C.D. Cuckwell, lately professional and technology directing B, Ministry of Defence.

Mr P.J. Cropper, for political service.

Mr W.M. Darling, chairman, South Tyneside Health Authority.

Professor G. Donaldson, for services to Scottish history.

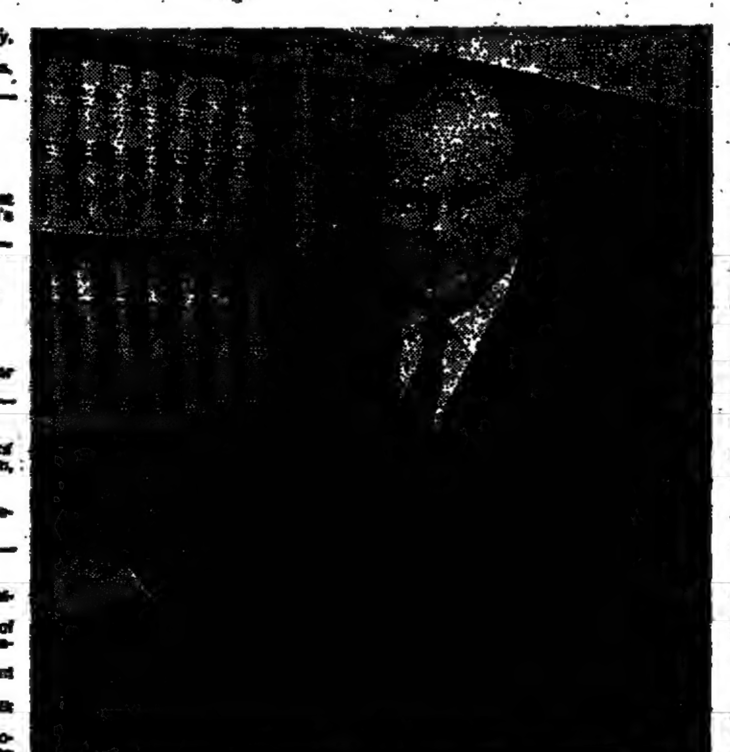
Mr D.J. Downham, chairman, West Dorset Health Authority.

Mr K.J. Doyle, grade five, Department of Trade and Industry.

Mr R.G. Edwards, professor of human reproduction, University of Cambridge.

Mr B.J. Elliott, lately secretary and treasurer, Association of County Court and District Registrars.

Mr Denholm Elliott, actor.



Philip Beck
Knight

Mr G.H. Emery, for political and public service.

Mr C.H.D. Everett, headmaster, Tonbridge School, Kent.

Mr R.A. Ferrance, member, Electricity Council.

Mr D.L. Flower, for political and public service.

Mr A.C. Freed, managing director, Crown Agents.

Mr J. Fry, for services to general practice.

Mr Sandy Gall, foreign correspondent and newscaster, Independent Television News.

Mr C.S. Gaskell, managing director, Marconi Instruments.

Mr J. Gibb, chairman, Borders Health Board.

Mr A.G. Gordon, chairman and managing director, William Grant and Sons.

Mr R. Gray, Lord Provost, City of Glasgow.

Mr D. Grieves, board member and managing director, personnel and social policy, British Steel Corporation.

Mr R.E.H. Hadingham, chairman, All England Lawn Tennis and Croquet Club.

Mr R.J. Hanna, chairman, Ulster Countryside Committee.

Mr R.D.R. Harris, for political and public service.

Mr D.L. Haxby, veterinary surgeon.

Mr B.V. Henderson, chairman, Anglian Water Authority.

Mr R.A. Hinde, Royal Society Research Professor, University of Cambridge.

Mr A.L. Howie, chairman, Scottish Milk Marketing Board.

Mr H.H. Hunt, deputy chairman, Monopolies and Mergers Commission.

Mr C.A. Johnson, secretary and scientific director, British Pharmacopoeia Commission.

Mr J.R. Johnstone, chairman and managing director, Murray Johnstone.

Mr G.B. Jones, director, Co-operative Development Agency.

Miss J.I. Jones, director of information and regional nursing officer, West Midlands Regional Health Authority.

Mr R.A. Juggins, for political and public service.

Mr J. Kincade, principal, Methodist College, Belfast.

Mr D.J. Kingsbury, group chief executive, Fairey Group.

Mr D.D. Kirby, member, British Railways Board.

Mr B.D. Langton, director, Bass.

Mr P. Lindgren, vice-chairman, Royal Naval Film Corporation.

Miss B.M. Lowe, for political service.

Mr J.H. Maltby, chairman, Burmah Oil.

Mr D.V. Mardle, grade five, Foreign and Commonwealth Office.

Mr George Martin, for services to the British record industry.

Mr D.S. McCall, chief executive, Anglia Television.

Mr J.B.M. McKeen, registrar, capital taxes office, Scotland, Board of Inland Revenue.

Mr G.D. McLean, assistant commissioner, Metropolitan Police.

Mr T.J. McNair, president, Royal College of Surgeons, Edinburgh.

Mr D.J. McNeil, lately president, Law Society of Scotland.

Mr P.D. Merridale, chairman, education committee, Hampshire County Council.

Mr E. Miller, director of education, Strathclyde Regional Council.

Mr F.L. Morgan, for public service in Wales.

Mr J.O. Morris, County Education Officer, Essex.

Mr G.J.J. Neale, for political and public service.

Mr J.H.M. Norris, former president, Country Landowners' Association.

Mr J.W. Parsons, chairman and chief executive, Time and Data Systems International; member, British Overseas Trade Board, for services to export.

Mr J.E.M. Peters, for political and public service.

Mr C E Pugh, lately managing director, National Nuclear Corporation.

Mr E.B. Ray, senior partner, Spicer and Pegler.

Mr B.St G.A. Reed, chairman and chief executive, Austin Reed Group.

Miss Diana Rigg, actress.

Mr M.S. Robinson, lately president, Shell International Trading Company.

Professor I.C. Roddie, chief regional scientific adviser, Civil Defence, Northern Ireland.

Mr C.P. Ross, grade four, Department of Transport.

Mr D.H. Rowling, vice-chairman, Hanson.

Mr H.C. Shannon, for services to the Health and Safety Commission.

Mr B.A. Sherbourne, for political service.

Mr R.B. Sim, inspector of constabulary for Scotland.

Mr A.C. Slade, for political and public service.

Mr C.E. Snowden, for services to the food industry.

Mr J.O. Spalding, director and chief executive, Halifax Building Society.

Mr P.C. Steptoe, medical director, Bourn Hall Clinic, Cambridge.

Mr D.D. Stevenson, group managing director, Edinburgh Woollen Mill.

Mr R.G. Taylor, director general, Association of British Chambers of Commerce.

Mr J. Telford Beasley, chairman and managing director, London Buses.

Mr D.J. Thompson, for services to the development of synchroton radiation.

Professor R. Thompson, lately business development director, Borax Holdings.

Mr R.B. Thompson, lately director works services, Department of Health and Social Services, Northern Ireland.

Mr A.M. Thomson, director, Scottish Prison Service, Scottish Home and Health Department.

Mr J.W. Turner, chairman and managing director, E Turner and Sons.

Professor T.S. West, lately site director, Macaulay Land Use Research Institute.

Mr A.A. Wood, for services to conservation.

Mr C.B. Woodham-Bamberger, for political and public service.

Mr J.C. Woolhouse, director of educational programmes, Manpower Services Commission.

OBE

Mr W.N. Adsetts, chairman, Sheffield Insulating Company.

Mr E.G.A. Armstrong, member, central arbitration committee, Advisory Conciliation and Arbitration Service.

Mr R.S. Best, director, National Federation of Housing Associations.

Mr Quentin Blake, artist and illustrator.

Mr M. Bright, chairman, Kearney and Trecker Marwin.

Mr D. Brown, lately chairman, Ice Cream Federation.

Mr J. Burnside, managing director, Welch Margetson.

Mr J.S. Clark, for services to the telecommunications industry.

Mr Leslie Curtis, chairman, Police Federation of England and Wales.

Mr C.L. Dawkins, finance director, Management Services.

Miss M. Dunn, for services to dance.

Mr E.H. Farnworth, divisional production director, British Aerospace.

Mr R.P. Filling, counselling advisor, Small Firms Services.

Mr R.J. French, director, East European relations, *Imperial Chemical Industries* Europa.

Mr J.P. Gillbanks, divisional director and general manager, British Aerospace.

Mr L.H.W. Golding, for services to athletics.

Mr Alan Hacker, conductor and clarinettist.

Mr V. Hart, chairman, North Yorkshire Area Manpower Board, Manpower Services Commission.

Miss Patricia Hayes, actress.

Mr A.J. Heath, head, UK aircraft and general aviation sections, Civil Aviation Authority.

Mr R. Heatley, chairman and managing director, G A Group.

Mr D.T. Heslop, director of sales, British Gas.

Mr G.C. Hinckley, group managing director, The Hinckley Group of Companies.

Mr David Langdon, cartoonist and illustrator.

Mr T.O. Leith, contracts director, Weir Pumps, for services to export.

Mr I. MacArthur, director, British Textile Confederation.

Mr J. Makepeace, for services to furniture design.

Mr G.P.D. McDonald, retiring controller, BBC 2 Television.

Mr C. McLatchie, group managing director, Scott and Robertson.

Mr A.M. Millwood, director, John Laing.

Mrs J.M. Moore, member, National Consumer Council.

Mr S.B.W. Mount, director and manufacturing manager, Uniroyal Englebert Tyres.

Mr A.W. Nelson, council member, Chartered Association of Certified Accountants.

Mr G.K.C. Pardoe, chairman and managing director, General Technology Systems.

Mr S. Phillips, president, Freight Transport Association.

Mr R.H. Phillipson, director general, British Aggregate Construction Materials Industries.

Mrs Anita Roddick, managing director, the Body Shop International.

Mr W.T. Rooney, chairman, the Spring Ram Corporation.

Mr P. Watson, chief executive, Guest Keen and Nettlefolds Technology.

Mr D.J. Williams, senior partner, Ellis and Williams Partnership.

MBE

Mr J.P. Airey, navigation manager and chief inspector, Thames Water Authority.

Mr Dennis Amiss, for services to cricket.

Mr J. Atkinson, national coach, British Amateur Gymnastics Association.

Mr H.C.R. Bellers, chairman, Beacon Hill Group.

Mr A.M. Beckett, for services to the agricultural industry.

Mr Billy Bonds, for services to football.

Mr A.T. Brain, secretary, National Association of Cider Makers.

Mr K.J. Burge, lately editor in chief, South West Counties Newspapers.

Mr R.C. Butcher, joint managing director, Bluemay.

Mr A. Caiger-Smith, potter.

Mr R.W. Campbell, director, Scottish Building Employers Federation.

Mr T.M. Davis, executive director, Rubber Trade Association of London.

Mr H.W.A. Deacon, chief test pilot, Short Brothers.

Mr Colin Deans, for services to Scottish rugby.

Mr Nick Faldo, for services to golf.

Mr C.J. Fisk, for services to the construction industry.

Mr G.H. Foster, partner, Gordon H. Foster.

Mr B.L. Freedman, chairman and joint managing director, Carfax Gowns.

Mr R.J. Godsee, chief economist, British Gas.

Mr W.L. Goldie, chairman and managing director, Lamberton and Company.

Mr R. Gooch, for services to the agricultural organic fertiliser industry.

Mrs D.H. Hitchcock, secretary, Burnley and District Chamber of Commerce.

Mr A.J. Holmes, for services to rowing.

Mr F.W. Huntley, administrator, corporate secretariat, British Airways.

Mrs E. MacDonald, for services to crofting.

Mr G. Malpas, training adviser, product engineering, Austin Rover Group.

Mr S.G. McCusker, general manager, operations, Port of Liverpool.

Miss J. McWilliam, director, Bejam Freezer Food Centres.

Miss J.M. Oakes, for services to athletics.

Mr F.A.J. Orledge, production director, Wardle Storeys.

Mr H.H.B. Oswell, managing director, Submarine Products.

Mr K.A. Pardoe, field support manager, Westland Group.

Mr E.E. Quiligotti, chairman, A. Quiligotti.

Mr P. Richardson, secretary general, Confederation of British Wool and Textiles.

Mr D. Robertson, managing director, LHD (Fisheries).

Mr M. Roselly, for political service.

Mr G. Sanders, for services to canoeing.

Mr W.E. Sharpe, general manager, operations, London Underground.

Mr W.V. Sumner, director, Portsmouth Area Enterprise.

Mr H.B. Torrance, chairman, Scottish Liaison Committee, Building Societies Association.

Mr R.T.J. Tree, chairman, Form and Surface Grinding.

Mr A.R. Turnbull, export director, Melroses.

Mr K.C. Walker, chief executive, Association of Sound and Communications Engineering.

Mr R.W. Young, space systems consultant, British Aerospace.

BBC chief intervenes to end Newsnight dispute

BY RAYMOND SNODDY

MR MICHAEL CHECKLAND, director general of the BBC, yesterday moved to end a bitter scheduling dispute within the corporation by announcing that Newsnight, the television current affairs programme, is to have a fixed time from next autumn.

The announcement was made at a press conference to preview a two-hour programme on the BBC, See It Yourself, intended as an annual report to the corporation's licence fee-payers to be shown on BBC 1 on January 3.

Mr Checkland surprised his own television executives, who believed the issue was still being debated and was to be the subject of a future meeting, by announcing: "We will try it [Newsnight] in the autumn at 10.30."

The issue became controversial and emotional because it was seen as a symbol in a battle for power between BBC Television Centre executives and the powerful, newly created news and current affairs directorate run by Mr John Birt, the deputy director general.

The fear of some executives is that the fixed time for Newsnight means an end to complementary scheduling in the evenings and the 9pm junction when alternatives are offered to the Nine O'Clock News. The starting time of Newsnight on BBC 2 has moved around because films and documentaries vary in length.

Mr Checkland said he had long regarded the floating starting time for Newsnight as a weakness and that Mr Alan Yentob, the new controller of BBC 2, had advocated such a change at his final interview for the job.

Michael Checkland: floating starting time 'a weakness'

The director general reaffirmed that scheduling would remain in the hands of the managing director of network television and his channel controllers except when he personally intervened.

"I did it today and I am prepared to do it on important issues," Mr Checkland said.

He said he was happy with the new structure of the BBC and did not think the dual role of Mr Birt as both director of news and current affairs and deputy director general was a source of managerial instability.

However, Mr Checkland conceded that it was a time of high emotions in the BBC as 700 journalists were brought together under a single management structure and new people found their feet in new jobs.

"There are going to be tensions and there are going to be problems. It's a two-year job," Mr Checkland said. He also reaffirmed his support for Mr Birt, former director of programmes at London Weekend Television.

"John Birt has the character to achieve what I want to achieve over the next two years," Mr Checkland added.

Earlier, the BBC showed a 25-minute preview of See For Yourself, which will be followed by a special, hour-long version of Open Air in which Mr Marmaduke Hussey, BBC chairman, and Mr Checkland will take questions from viewers. The BBC last broadcast a portrait of itself 27 years ago.

The programme includes clips on the difficulties of filming Bergerac in the rain in Jersey and the surprising earning power of old Watch With Mother programmes on video cassette.

However, the programme does not duck the controversial issues such as the death of Mr Michael Lush in a television stunt, the inaccurate election night poll that gave the Conservatives a majority of only 26 and the firing of Mr Alasdair Milne as director general.

Mr Milne's departure, however, is dealt with by showing a clip from BBC News claiming he had resigned for personal reasons. Pressed on the issue, Mr Hussey said he did not think it right to discuss individual careers on the programme or anywhere else.

Architects expect more work

BY ANDREW TAYLOR

ARCHITECTS ARE forecasting a further increase in their workload next year, providing a valuable guide to future orders for the construction industry.

The Royal Institute of British Architects expects the value of work won by architects to rise by a further 8 per cent next year, following a 39 per cent rise in the value of commissions during 1987.

The forecast is in line with other recent construction industry surveys, which expect output by British contractors to increase further next year but at a slower rate than in 1987.

Only a marginal increase in output is forecast for 1989 but this would still leave output at its highest level since the building boom in the early 1970s.

The institute says a strong and growing domestic economy coupled with good company profits means that investment is likely to remain high next year in spite of the recent stock market crash.

Manufacturing industry is recovering after its sharp decline in the early 1980s and there is a good deal of optimism in previously depressed areas such as the west Midlands, the institute says.

It expects the value of work won by architects from industrial companies, for improving, refurbishing and new building, to increase.

The rehabilitation of older shopping centres is also expected to gather momentum as the demand for goods has grown and people now treat shopping as more of a pastime than a necessity. A limited number of new out-of-town shopping centres are also likely to be approved, according to the institute.

Further work is likely to be won for office development and refurbishment, although the large increases in office rents in central London during 1987 is unlikely to be repeated.

Private housing work is expected to remain high even though the number of houses built by private developers is expected to decline over the next two years.

Public sector housing, however, is forecast to remain at a very low level, although housing associations should be able to expand their building programmes with the aid of new private investment schemes and higher government cash allocations.

"Elsewhere in the public sector, architects' workloads are expected to remain static. A boost of cash to the health service may allow authorities to bring forward their building plans," the institute says.

It expects that any new money allocated to the public sector in the next Budget will be spread thinly and used more to cover running costs than to finance capital projects.

Business failures 'reduced by 16%'

By Nick Bunker

THE NUMBER of business failures in England and Wales fell 16 per cent in the past year to 17,405 but was still far above the level recorded in 1980, according to a survey by Dun & Bradstreet, the business information group.

The fall in 1987 was the first substantial reduction in the number of business failures for many years, after small falls in 1985 and 1986, said Mr Keith Williams, the group's UK managing director.

Company liquidations fell in 1987 to 10,644, a 22 per cent reduction on 1986. Bankruptcies of sole traders, firms and partnerships dropped 3.3 per cent to 6,761.

The last peak year was 1984, when liquidations and bankruptcies totalled 21,682. In 1980, the total was only 10,651, 60 per cent less than in 1987.

The main reason for the 1987 fall was the greater strength of the British economy but there were also signs that banks and the accountancy profession were trying to encourage better business practices, Mr Williams said.

Judging by present economic indicators, there was no reason why the decline in the number of business failures should not continue into next year. However, if uncertainties about the US economy developed into a world recession a deterioration could be expected around the end of 1988 and become serious in 1989, he added.

This year, London and the south-east was the worst affected region, with 7,211 business failures, representing 41.4 per cent of the total, down from 8,873 in 1986. The second worst region was the north-west with 2,349 business failures, in spite of a 29.7 per cent fall in the number of company liquidations.

The nationwide fall in bankruptcies of sole traders and small firms was particularly encouraging, Mr Williams said, but its limited size continued to highlight the vulnerability of small businesses to management problems, such as poor financial controls.

Dun & Bradstreet believes that the significant growth in the early to mid-1980s in the number of small businesses is one reason why the number of business failures remains much higher than it was seven years ago.

Rate cuts pressure stepped up

By Michael Cassell, Political Correspondent

THE LABOUR PARTY leadership yesterday stepped up its criticism of the Government for refusing to sanction further cuts in UK interest rates.

Mr Bryan Gould, Labour's trade and industry spokesman, accused ministers of "staggering inactivity," following the latest world stock market price falls.

In spite of recent interest rate cuts, Labour has continued to demand further reductions, stressing that the UK has only followed falls elsewhere. It argues that, without larger, unilateral interest rate cuts, Britain would continue to have the highest real interest rates of any of its competitors.

Mr Gould said Britain faced a rapidly worsening trade deficit, unless the Government cut domestic interest rates.

Mr Gould accused Mr Nigel Lawson, the Chancellor, of "fiddling over the Christmas break" while British industry remained in mortal danger of collapse. He said recent statements from the Confederation of British Industry, to the effect that the economic outlook was encouraging, implied the organisation wanted "to make it a duet."

He added: "A move towards a two-dollar pound threatens British industry with the same, calamitous consequences which were felt in 1980-81, when one-fifth of British manufacturing industry was wiped out."

Mr Gould said the Chancellor's reluctance to act and the CBI's complacency were "staggering." All Mr Lawson had done was to "stand on the sidelines, wringing his hands, while continuing to saddle industry with excessively high interest rates, which only makes the exchange-rate problem worse."

Nick Bunker on the growth and future of Swinton Insurance

Building up a broking empire

MR KEN SCOWCROFT had a big idea in Manchester in 1957. He put it into practice that year by starting an insurance broking business in the front room of his home in Swinton, one of the city's suburbs.

At the time he was the 28-year-old director of a local building society. The average Mancunian's exposure to insurance marketing was limited to regular visits from salesmen from one of the big "home service" insurers such as the Prudential.

Mr Scowcroft says: "The man in the street wouldn't walk into an office to buy insurance. He was used to somebody coming round and having a cup of tea. I realised that in time this would prove to be a very expensive way of selling."

Today, with 300 branches in Britain's high streets, Mr Scowcroft's company, Swinton Insurance, is building itself a national broking empire. Still run from Manchester by the Scowcroft family, it sees insurance broking for private motorists as its core business. It has about 800,000 policyholders.

Swinton's ambitions go much wider, however. If realised they will give it a distribution network for personal financial services – including secured loans – to rival the retail networks of some of the top 15 building societies.

Yet as recently as the beginning of 1983, Swinton had only 82 branches, almost entirely in the north-west and Yorkshire. That was to be a turning point.

"We knew that only by expanding could we maintain our market share," says Mr Scowcroft, now the group's executive chairman. By the end of 1985, Swinton had 151 branches after moving into the Midlands. There were 228 branches by last January 1, and Swinton plans to have 500 by 1990.

"We reckon we would only reach saturation nationwide with 800 to 1,000 branches," says Mr Brian Scowcroft, the founder's son and Swinton's joint managing director.

There are good reasons why a broker such as Swinton should want to move fast now to secure its position.

There are signs of important shifts in the way personal lines insurance is sold in the UK. Big insurance companies are keen to cut radically their distribution costs. It is an embarrassing feature of the industry that administrative expenses and brokers' commissions consume on average about 30 per cent of private motor insurance premiums.

One answer is for insurers to attempt "direct writing" of insurance, cutting out brokers altogether. The Royal Bank of Scotland's Direct Line motor insurance service is the best-known example. Another approach – already well under way in the US – is for insurers to attempt to reduce the expense ratio by computerising their links with the bigger intermediaries.

The net effect, according to Mr Michael Collins, a leading consultant to high street insurance brokers, is that by the mid-1990s "it is possible to conceive that over half the private motor cars insured through intermediaries will be handled by less than 20 intermediary groups."

As a private company, Swinton's resources for growth are limited. The group expects to make pre-tax profits of about £7.5m in 1988. It has a target next year of handling business with total premiums of about £155m (1987: £113m).

One option under consideration at Swinton is to go public. It has already turned down takeover proposals from big London-based Lloyd's insurance broking groups.

Ken Scowcroft: turned policy selling on its head

Swinton's preferred solution to the problem of growing fast with limited resources was to start franchising in 1983.

The advantage of franchising for Swinton was that it could achieve rapid expansion out of its northern heartland at minimum cost. Today about 120 of its 300 branches are franchised. Swinton also sees a bigger retail network as a vehicle for developing life assurance broking, its fastest growing area.

The other immediate challenge, say the Scowcrofts, is to step up their use of information technology.

Since 1984, Swinton's branches have been equipped with computer terminals which enable branch staff to display within 30 seconds competitive quotations from 100 insurance companies for complex motor insurance risks.

The next move is to co-operate with the big composite insurers to automate at Swinton branch level the processing of risks and issue of policy documents.

Historically, though, the biggest single factor in Swinton's success has been its coupling of a strong high street presence with constant, high profile media advertising.

When Mr Scowcroft started in 1957 his aim was to turn on its head the old-fashioned home service concept of selling insurance via armies of door-to-door salesmen. Instead, Mr Scowcroft would sit in his house and encourage customers to visit him.

His radical step forward was to begin advertising on Granada Television in 1967. The younger Mr Scowcroft says he now "only thinks in terms of television areas" when planning expansion.

About half of Swinton's 1988 advertising budget of £2.75m will go on television commercials. The use of television has had remarkable results for Swinton in the north-west.

A single Swinton branch in Sale, Greater Manchester, handled insurance business worth about £1.7m in premiums this year. According to Swinton's market research, more than 95 per cent of people in the Granada area will spontaneously mention the company when asked to name an insurance broker.

What excites Swinton is the prospect of achieving similar market penetration elsewhere, particularly in the Thames Television area, where it has only 28 branches. "We are attracted to conurbations," says the founder. "London is now uppermost in our minds."

Standard Life rated top Scottish business

BY ANDREW TAYLOR

STANDARD LIFE, the life assurance group, has replaced Britoil, the Glasgow oil company, as Scotland's biggest profit earner, according to a survey of the country's top 100 companies.

Britoil, currently fighting a takeover bid from BP, has slipped from first to fifth position in the annual survey published by Scottish Business Insider magazine.

The magazine ranks companies according to the size of turnover and pre-tax profit contained in the most recent annual reports. It says the latest Britoil figures, for the year to December 1986, reflect a "dramatic fall in oil prices in the company's last reporting year."

The nine Scottish life companies, including Standard Life, by comparison, have enjoyed a record level of new business. The magazine says Standard Life's turnover has risen to almost £2bn and that it is Scotland's biggest profit earner even though pre-tax earnings fell slightly to £326.5m.

Britoil's profits fell by 82 per cent from £759.5m to £133.8m while sales fell from £1.8bn to £978.2m.

MR NORMAN MACKINNON, chairman of Drambuie Liqueur Company, has been rated Scotland's highest paid director, with a salary in 1986 of £299,345, by the magazine Scottish Business Insider.

Mr Mackinnon's salary rose by £46,000 compared with the previous year, according to the magazine.

Mr Victor Blank, chief executive of Charterhouse Group, the Royal Bank of Scotland's merchant banking subsidiary, would have taken the top position but details of his earnings in the bank's annual report – £327,000 for 1987 – came too late to be included in the survey.

The magazine says Mr David Stevenson, managing director of family-owned EWM Investments, parent company of Edinburgh Woollen Mill, commanded the second highest salary in spite of a drop in pay from £551,000 to £195,000.

The next highest paid were Mr Douglas Hume, managing director of Howden Group, and Mr David Walker, managing director of Britoil.

Mr Hume earned £168,000 and Mr Walker £162,000.

The magazine says: "This depressing experience is shared to some degree by all Scottish companies in the oil sector. Four of the 10 biggest falls in placings in the table are attributable directly to the oil price dive."

Poor performances by Britoil and by F. J. Lilley, the international construction group which turned in a £50.5m pre-tax loss in the year to January 31, 1987, mean that pre-tax profits of Scotland's top 100 businesses covered in the survey have fallen by 20 per cent while sales have risen by only 4 per cent.

Without these two companies, profits overall would have increased by 12 per cent.

For the third year running employment among the top 100 increased by less than 1 per cent although wage bills rose by 6 per cent.

Sales and profits from food production and processing enjoyed the biggest growth, according to the magazine. Sales in the food sector rose by 17.5 per cent while profits increased by 43 per cent.

Financial services, boosted by the performance of insurance companies which comprised four of the top 10 performing companies, was the next best performer with profit rising by 18.4 per cent and sales by 15.5 per cent.

The survey showed that whisky and brewing, another traditional Scottish industry, increased sales by only 6.5 per cent and profit by only 0.4 per cent.

However, in second place among the 100 top businesses was United Distillers, the whisky and spirits group formed by Guinness, with pre-tax profits of £324m and sales of £1.37bn. Third was Royal Bank of Scotland with sales of £1.86bn and pre-tax profits of £197.2m. General Accident was fourth.

Amoco receives go-ahead for Arbroath field

By Maurice Samuelson

THE GOVERNMENT yesterday gave the go-ahead for development of Amoco's £144m Arbroath oilfield, the third offshore field to be approved in the past two weeks.

Mr Peter Morrison, Oil Minister, said the clearance gave "every reason to be positive about the future of the North Sea."

He described it as the latest of a series of relatively small, low-cost satellite fields which would play an increasingly important role in future North Sea developments.

The Arbroath licensees are Amoco (UK) Petroleum, 30.77 per cent; Enterprise Oil, 30.77 per cent; Amerada Hess, 23.08 per cent; and Texas Eastern (UK), 15.38 per cent.

Insurance broker completes sale

ALEXANDER & Alexander Services, the world's second biggest insurance broker, yesterday completed its sale for an undisclosed sum of Sphere Drake, the group of London insurance companies it acquired in 1982 when it bought Alexander Howden, the Lloyd's insurance broker.

The buyers include Sphere Drake's management, the Dai-Tokyo Fire and Marine Insurance Company of Japan and a group of investment institutions.

Freight Rover increases sales to record level

BY JOHN GRIFFITHS

FREIGHT ROVER, the Birmingham-based panel van and minibus manufacturer now part of the Anglo-Dutch Leyland Daf group, produced and sold a record 20,000 vehicles this year.

Exports tripled, compared with 1986, to more than 3,200 units. This was the result of better sales to the Continent, where vehicles are sold under a Daf badge through the Dutch company's truck dealerships.

The 8.1 per cent rise in output meant that 1,500 more vans and minibuses were produced. They are sold as Sherpas in the UK, where retail registrations and military sales rose by a modest 300 units to 17,350 which was, nevertheless, a record.

Mr Graham Morris, managing director, said the successes of 1987 augured well for the company and its employees.

"We have had a tremendous year and now that we are part of Leyland Daf we have the resource and backing to build on this success."

Sales of the company's heavy panel van, the 300 Series, rose by 32 per cent; since its launch in 1983 production volumes have more than doubled.

The recently launched Sherpa two-litre direct-injection diesel model, using an engine developed jointly by Rover Group and Perkins, also enjoyed considerable success in 1987; it accounts for more than 60 per cent of all sales of the smaller 200 Series van, the company said.

Sugar plants to expand

FINANCIAL TIMES REPORTER

BRITISH SUGAR, the UK's largest sugar refiner, plans to spend a record £46m in 1988 to modernise and expand production facilities at its 13 processing factories.

All of British Sugar's factories will benefit from the capital investment programme, although most of the money will be spent at Bardney, Lincolnshire, at Cantley and King's Lynn in Norfolk, and Ipswich, Suffolk.

British Sugar, a subsidiary of S & W Berisford, the diversified commodities trading, property and financial services group, invested £31m in 1987 and £35.7m in the previous year.

The company said the major part of the work would begin in January. The investment would ensure that British Sugar remained the lowest-cost producer of sugar in Europe, it said, repeating an argument used by Berisford in its recent defence against a £767m takeover bid by Associated British Foods, the milling and baking group.

Lawyers' body attacks Legal Aid Bill

BY DAVID BRINDLE

PROPOSED CHANGES to the legal aid system are likely to worsen its already "clogged-up" state, according to the trade union representing the lawyers who administer the system.

The union, the First Division Association, has taken what it calls the "unprecedented step" of expressing its fears in a report to Lord Havers, the Lord Chancellor.

The Government aims to reform the legal-aid system to provide better value for money and to make more efficient its basic role of the provision of legal services for people without the means to pay for them.

Changes set out in the Legal Aid Bill would, among other steps, establish a special board to administer the system; allow an application for aid to be opposed by the applicant's legal adversary; make greater use of limitations on aid certificates; and require solicitors to certify at given stages that a case remains reasonable.

The union is warning that without extra resources such tighter controls would further overburden the already strained administration of legal aid.

In 1980-81, the union says, an aid application took, on average, 15 days to be approved or refused and 45 days for an offer to be issued. By 1985-86, backlogs had increased these periods to 43 days and 77 days.

In its report to Lord Havers, the union says: "Without the staff to cope with them these measures will be paper tigers, producing no real benefits in terms of cost control. They will, however, add substantially to delays and backlogs in our offices."

Call for defence of corporate independence

Financial Times Reporter

THE MAIN challenge facing Scottish industry in 1988 is the defence of corporate independence, according to Mr Hamish Morrison, chief executive of the Scottish Council Development and Industry. The council's members include industrialists, bankers, church people, trade unionists and councillors.

In a new year message the council spotlights three central issues: to prevent the absorption of Britoil into any larger integrated oil company; to ensure the future independence of the Scottish electricity industry; and to avoid the privatisation of British Steel (BSC) in a way which perpetuated the existing producer monopoly.

Mr Morrison said that, ideally, BSC should be offered as two or more companies giving a genuine choice to steel users.

"Over the past 20 years the independent Scottish industrial sector has been reduced to a shadow of its former glory. In the year ahead it will be vital to the Scottish economic interest that this erosion of ownership and control is halted and reversed," he said.

"The demise of industrial and commercial decision-making in Scotland would in effect end Scotland's claim to a distinctive economic existence and the descent into a dependency culture would become inevitable.

"In all three cases the Government has the responsibility to ensure the equitable distribution of industry and employment throughout the country and has a complete range of powers, through the Fair Trading and Competition Acts, to ensure that this objective is met."

CEGB chief warns on privatisation

BY MAURICE SAMUELSON

LORD MARSHALL, chairman of the Central Electricity Generating Board, will tomorrow mark the CEGB's 30th anniversary with a warning that privatising electricity should not put at risk the benefits from the board's integrated power system.

In a statement to staff, recalling the CEGB's establishment on January 1, 1958, Lord Marshall says the coming year will be a challenging one as the Government decides on the industry's future structure.

The CEGB does not oppose privatisation and is not frightened of competition, both of which could bring benefits to the consumer.

"But any changes to be made should not put at risk the benefits, in terms of cost and security of supply, that consumers gain from the board's integrated power system. It is the envy of other countries. Our views on the interests of the staff have also been made known to the Government," he says.

With demand rising and the years of over-capacity past, the task now is to provide the additional generating capacity to keep the lights on in the 1990s, the statement continues.

Over the past 30 years there have been many changes: sales have nearly tripled, generating capacity has more than doubled and the maximum demand for electricity has gone up by two and a half times.

When the CEGB was formed there were 262 power stations with a capacity of 22,000 Megawatts. Today there are 78 with a capacity of 52,000MW.

OBITUARY

Sir Bernard Scott: strategist at Lucas

SIR BERNARD SCOTT, who has died at the age of 73, spent virtually his entire career with Lucas Industries, working his way up from apprentice.

Yet it was only after he retired in 1980 from a six-year tenure as chairman that the changes he set in motion to secure the components group's future filtered to the surface.

Contemporaries credit Sir Bernard with the two key strategies which allowed Lucas to survive the traumas of the early 1980s recession and to show tentative signs more recently of flourishing.

One was the diversification of product activities, not least into the aerospace business, which has become a large profit centre for the group.

The other, prompted by Sir Bernard's alarm at the war-like climate in industry in the mid-1970s, was the policy of reducing the group's dependence on the UK by setting up manufacturing businesses on the Continent and in North America.

He is recalled primarily as a strategist with an overriding concern for the long-term at a time when such views were not fashionable in much of British industry.

More subtle changes inside the group pre-date his time as chairman. He became a director of Joseph Lucas (Industries), the holding company, in 1968, where he progressed to group managing director in 1972.

Under his influence the old, centralised, decision-making structure of the 1960s was gradually dismantled in favour of a more devolved system which gave operating companies greater sway.

Yet, with benefit of hindsight, Sir Bernard was not wholly immune to the complacency which permeated so much of 1970s Midlands manufacturing industry. Lucas, like so many of its corporate contemporaries, believed it was doing better than was the case when held up to the harsh light of international, rather than national, competition.

A personable, affable figure who enjoyed a high profile and prided himself on being a good communicator, Sir Bernard's life after retirement was anything but a retreat into obscurity.

He become deputy chairman of Lloyds Bank, a post he conducted in tandem with a study for the Government of widely resented, inflation-proof civil servants' pensions.

He also succeeded Sir Barry Heath, the former GKN chairman, as president of the Society of Motor Manufacturers and Traders.

Educated at grammar school and Epsom College in Surrey, Sir Bernard joined Lucas in 1931. He saw war service with the Royal Artillery, where he attained the rank of major.

His first executive post was as sales director of the electrical subsidiary, moving on to become deputy chairman and manager of Lucas CAV, where he stayed until his move to the holding company in 1968.

He married twice and has a son and two daughters by his first marriage.

BAe wins £43m of orders for jets

BRITISH AEROSPACE, the aircraft, missiles and space conglomerate, has won orders for new aircraft worth more than $80m (£43m).

The orders include two for BAe 146 four-engined regional jet airliners, bringing total sales of 146s to 109, and six for BAe 125-800 executive jets, bringing total sales of 125s to 681, of which 106 are for the Series 800 version.

BAe has not disclosed for whom the new jets are destined but one of the 146s is understood to be for Air UK, the UK independent airline which is strengthening its routes between Scotland and the Continent with jet airliners.

Water privatisation will 'increase costs to public'

BY RICHARD EVANS

CONSUMERS WILL have to bear the additional costs created by the Government's controversial plans for privatising the water supply industry, says Mr Brian Turner, chairman of the Mid Kent Water Company.

Mr Turner said in his annual statement yesterday that he welcomed the Government's recognition that regulatory functions covering water resources and pollution were unsuitable for control by private enterprise.

However, he feared that the public could lose out financially by the introduction of new regulatory bodies proposed by the Government.

"I am convinced that the imposition of two new bodies, the Directorate of Water Services and the National Rivers Authority, on top of privatised water authorities will result in a significant increase in costs to the public without any compensating advantage," said Mr Turner.

He added that only the Treasury would gain by pocketing the proceeds from the sale of a great number of assets, many of which had not been paid for and which the Government probably did not own.

Mr Turner retires on January 1 as chairman of Mid Kent, one of 27 statutory water companies in England and Wales which supply a quarter of the population. He will be succeeded by Mr Michael Roberts.

GEC appoints new directors

GENERAL Electric Company, the UK electricals group, yesterday announced two appointments to its board of directors.

They are Dr Ian Grant MacBean and Mr Simon Weinstock. Dr MacBean is managing director of GEC Marconi, a subsidiary of GEC. He has been with the company for 30 years.

MANAGEMENT: Marketing and Advertising

Quality of advertising

More mediocre than brilliant

Feona McEwan takes a straw poll of the UK industry's favourite and least favourite ads

THERE are few keener critics of advertisements than those who earn a crust making them. So in true end-of-term spirit, we've canvassed opinions – of the good, the bad, and the downright ugly – from a handful of the industry's creative luminaries. What were their favourite favourites of the year? And, more tellingly, what were the lowlights, what depths were plumbed in the name of advertising? The latter was particularly hard to elicit, since creative directors have a habit of latching on to the good and screening out the bad from their memory banks. There is a message here for advertisers – consumers behave in similar vein and fail to recall poor ads. Faint-hearted advertisers, take note.

But if there is any overall verdict, the view is of a middling year, creatively speaking, short on brilliance and long on mediocrity.

Dave Trott of Gold Greenlees Trott, (the agency behind ads for Toshiba, London Weekend Television, Prudential) voices the lukewarm view: "It's like everyone is playing in midfield at the moment. The best and the worst are meeting in the middle a lot more." As the standards improve and the bad get better, it's tougher for the good to stand out. "It's hard these days to look amazing."

As a result, Trott finds it difficult to get enthusiastic about the year's offerings, "though there were a number of good one-offs which tend to be forgotten a couple of months later."

Given his reservations, he dares to suggest that the great British creative heyday in advertising could be over. "Maybe we're at the end of a hot creative cycle in the UK. Maybe the 'UK period' is up and it's someone else's turn...a lot of people are now digging into the past for ideas."

Paul Twivy, managing director of Still Price Court Twivy d'Souza, also has his doubts. He suggests that the state of beer advertising, traditionally a source of inspiration in British advertising, is looking rather tired and introverted, with odd exceptions, and that this is symptomatic of advertising in general this year.

Fosters, he believes, is patchy, Hofmeister is tired, Heineken is in love with itself, and Kronenberg and Lowenbrau are both rip-offs of German cinema techniques, arty and esoteric.

Press advertising has undergone something of a resurgence as advertisers, disillusioned with the rampant inflation of television airtime, explore other media.

Many praised the ad from CDP for The Metropolitan Police that looks like an editorial spread and features a dramatic shot down the barrel of a sawn-off shotgun by war photographer Don McCullin over the headline: "Could you disarm him?"

"It's fresh...there's no loopy art direction or pretty, unreadable typefaces. It uses a garish picture...it's taken a leaf out of the editorial book...it's a piece of raw communication," says Alfredo Marcantonio, creative director of WCRS Mathews Marcantonio.

The Clarks shoes press campaign, also from Colletts, was widely admired. The series of three ads was based on superbly shot photographs of a girl on the wing of a seaplane, on the edge of the Eiffel Tower and on the back of a motor bike. The catchline was: "Never put a foot wrong." "Fashion work is hard to do; it's usually a picture and a logo...but this says more," comments Derek Day, creative director of promising young agency Butterfield Day Devito Hockney.

But television hogs most of the memories. Hardy annuals like Heineken (Twivy's view notwithstanding) and Hamlet continue to outpace many of their newer advertising siblings, and to prove that the oldies are often the goldies.

When creative director Neil Patterson assumed his new role at Young & Rubicam he canvassed opinions on people's top 10 advertising campaigns. The story was the same. Hamlet and Heineken scored high marks and few new campaigns were named.

For sheer timing, Hamlet's stock market crash ad collected many bouquets. It featured a graph showing the line falling steeply before taking a sudden upturn. The familiar strains of Air on a G String preceded a puff of smoke emanating from the upturned line and the Hamlet image was complete.

"A classic piece of timing," says Derek Day. "It was very simple, probably cheap to make, which I like, and the client got a lot of value out of it." The agency responsible is Colletts.

Among newcomers of the year, it was the advertising for Mates, the new condom brand, from agency Still Price Court Twivy d'Souza, that stole the show. The TV commercials broke new ground in a number of ways, not least since they cleared the non-commercial hurdles of the BBC and were run as part of the campaign against AIDS, with the brand name expurgated.

The campaign is based on everyday situations. In one commercial, a young man goes into a chemist to buy condoms and when faced with a female assistant asks for everything but. The subtitles spell out what he is really thinking.

"They hit it dead right," says Neil Patterson. "A very difficult area, but it was interesting compared with other work in the field which I dismissed as not worth considering. The idea behind the Mates ads hit home... we've all been in those situations... it touched the culture of condoms. Very good stuff."

"I reckon it shifted a lot of product," says Steve Henry of Howell Henry Chaldecott Lury, another of the bright new "third wave" agencies to emerge this year. "The TV work was nice but the press was brilliant."

In the beer category, it was the Whitbread Best work from Lowe Howard-Spink, the Heineken agency, that set tongues wagging. In its commercials it uses the startling technique, used to great effect in Dennis Potter's television drama "Pennies from Heaven", of people talking with music coming out of their mouths.

'Maybe we're at the end of a hot creative cycle in the UK. Maybe the 'UK period' is up and it's someone else's turn...a lot of people are now digging into the past for ideas' —Dave Trott of Gold Greenlees Trott

One commercial shows a sassy blonde being chatted up by various men, all wonderfully cast. Each one approaches her in different "musical" voices and the overall effect is deliciously entertaining. Steve Henry admires it, though is concerned that it might be limited in its pub currency - "most beers are advertised on the premise that punters go into the pub and talk about the advertising," he says.

Another widely admired campaign was the Miller Lite work from Boase Massimi Pollitt, which was cited as original, worthy of repeat watching and had a point to make about the product (ie that it is light).

Another commercial that comes in for praise is from Whitworths, food manufacturers, from Lowe Howard-Spink. It uses the technique of still life illustration which dissolves into real action. Many directors expressed concern at the use of special effects in commercials, which they see as a cover-up for lack of a good idea. David Christianson, vice-chairman of Lowe Howard-Spink, is alarmed at the trend exemplified by Guinness and Philips advertising. He calls it "pretentious creativity."

Each campaign features attractive Arian young men in abstract situations, far removed from real life. "It's all right once to have no idea and to produce it brilliantly but now it seems that the techniques themselves pass for the idea. It's as if the advertisers are saying, let's be so obscure that poeple will think it's really stylish."

Marcantonio picks out as his favourite ad an Italian commercial for Krizia perfume that is due to be screened in Europe next year. It shows a Mexican shoeshine boy who cleans the shoes of an attractive girl. She touches his cheek and he falls for her. He follows her and she sprays herself with perfume before being picked up by her boyfriend and driving off. He walks into her apartment and, finding the bottle of perfume, smashes it to the floor. "It's romantic, evocative and very simple in this world of special effects," says Marcantonio.

When it comes to the worst ads of the year, Nescafe coffee is never far from the top of the list. Featuring a mind-numbing scenario of three actors whose day is made bearable by the prospect of a cup of coffee, it consistently collects brickbats. "It's so bad that it's fascinating," says Derek Day.

New ground was broken with the advent of condom ads, while the Whitbread Best beer commercial set tongues wagging

Others put it differently. "A consistent advertiser is Nescafe. Consistently bad that is," says Steve Grounds, creative director of Colman RSCG. "How do you beat a star in a commercial? Easy, two stars. And how do you beat two stars? Easy. Use three stars. Preferably three people who bear absolutely no professional relationship to each other whatsoever.

Derrick Day's choice of worst ad is a toss-up between the NatWest Press for Action campaign and "any Nescafe ad." On balance, he plumps for NatWest as his least favourite. In particular, he thinks the NatWest outer space ad speaks to businessmen "as if they were children. It's not done well enough to be tongue-in cheek and it's a funny way to talk to adults."

By comparison, the Bank of Scotland advertising on the same subject, which also uses allegory is very clever. This is a pastiche by Boase Massimi Pollitt of the work of the Italian sculptor Giacometti. "Neither bank has anything better to say than the other but one reaches you on a different plane," says Day.

Other work picked out was for Volvo cars, Apple computers, Dunlop tyres, Radio Rentals, Ovaltine and Samsonite luggage.

In a less than outstanding year, then, it is clear that a good idea is what always makes a mark. The widespread feeling among the advertising fraternity is that clever technical execution rarely compensates for the lack of basic originality.

Leisure markets look vulnerable

BY DAVID CHURCHILL

BRITAIN'S booming leisure markets – many of which have just shown their best-ever growth in 1987 – are beginning to look potentially vulnerable in the short-term to a slow down in economic growth following the crash in world financial markets in recent months.

While few market forecasters are prepared to believe in a disastrous slump overtaking consumer spending in the New Year, nagging doubts remain that discretionary spending on leisure could be trimmed.

The sluggish bookings for next summer's overseas package holidays are already seen by some as an early indication that making money out of leisure may not be as easy in 1988 as it seemed to be this year.

"We don't see any real economic downturn in prospect," confirms Fiona Stewart, senior business analyst with the Henley Centre for Forecasting. "But we do think consumer spending might be less buoyant."

Bill Martin, director of Suffolk-based Leisure Consultants, agrees: "We don't think the US and UK can afford to go into a recession but there could be a slowing-down in growth in the short-term."

Such a potential slow-down would contrast with a year which, according to Leisure Consultants in a new report* on the leisure business, saw leisure markets overall show real growth of 5.5 per cent, their best annual performance since 1983.

Any economic slow-down would only have limited impact on consumer spending on leisure, suggests Martin. "Despite the dampener of world stock market falls, we see 1988 being another good year for leisure, helped by further tax cuts," he adds.

Leisure Consultants is even more optimistic about the longer term outlook for leisure spending, forecasting a 26 per cent increase over the years up to 1992, compared with a 21 per cent forecast increase for consumer spending generally.

Yet prudent companies in the leisure sector cannot afford to take such forecasts too literally. The vulnerable areas of lesiure spending, therefore, would be those where consumers felt most able to cut back.

According to Leisure Consultants, replacement of video and audio equipment, bought in the early days of the consumer boom, would clearly be delayed and consumers could defer buying new compact disc systems.

Foreign holidays would also be a likely casualty of a recession, and day trips to such leisure facilities as theme parks in the UK would be reassessed by consumers.

Equally, however, some markets would benefit from a down-turn. Home-based entertainment would stay buoyant – with a traditionally dull sector like books holding up well – while do-it-yourself home maintenance would also benefit.

Home entertainment and DIY, in fact, are two leisure sectors which are likely to do well in the next few years even if there is no recession, Leisure Consultants believes.

Henley, in its latest review** of leisure spending, also forecasts that spending on all forms of leisure in the home will steadily increase over the next five years. It says that in-home leisure spending, which currently accounts for 35.2 per cent of all leisure spending, will rise to 36.9 per cent by 1992, with an average increase per year of 4.4 per cent.

Information-related leisure - including video and audio - will show faster growth, Henley believes, of an average 4.7 per cent a year until 1992.

Physically-active leisure – such as sports, DIY, and gardening – will experience an average 4.4 per cent growth per year, increasing its share of leisure spending from 14.4 per cent to 5.3 per cent by 1992.

Underlying the strength of leisure spending into the 1990s, believes Stewart, is the continuing trend of those in work increasing their living standards and level of discretionary spending. "In rather crude terms, the rich are likely to get richer and this is going to keep leisure spending healthy," she says.

**Leisure Forecasts 1988-1992; Leisure Consultants, Foxearth, Sudbury, Suffolk; £160.*

***Leisure Futures, Henley Centre for Forecasting, 2-4, Tudor Street, London, EC4; £270.*

TECHNOLOGY

Leading contenders in the booming market for low-alcohol beers. UK sales have risen fourfold in the past two years.

Brewing up to a flavour battle

Clive Cookson explains how the challenge is to get low-alcohol beers to taste more like the real thing

GLASSES being raised to toast in the New Year are twice as likely to contain non-alcoholic lager tonight as a year ago.

The worldwide boom in sales of low-alcohol beer has presented the international brewing industry with a major technological challenge: how to make it taste more like the real thing. One line of research is to use genetic engineering to create a new breed of yeast which would produce all the flavour components of a traditional fermentation, except alcohol.

The UK market for low-alcohol beer has grown fourfold in the past two years, and the Brewers Society estimates that more than 80m pints will have been drunk in 1987.

Low-alcohol beers are not a recent innovation. For example large quantities of "near beer" were consumed by law-abiding Americans during the Prohibition period of the 1920s. But the modern type of low-alcohol lager – designed to imitate real lager as closely as possible – appeared during the 1970s. The first British brewer to enter the market was Bass with Barbican in 1980.

Although consumer tests show that the flavour of low-alcohol beers has improved markedly during the 1980s, the brewers acknowledge that there is considerable scope for further improvement. When Which? magazine tested low-alcohol lagers in December 1986 the tasting panel was not very enthusiastic and most people had no trouble distinguishing them from standard alcoholic lagers.

Most low-alcohol beers contain between half and one per cent alcohol by volume, compared to three or four per cent for a standard beer. (In Britain the important cut-off point is 1.2 per cent alcohol, above which excise duty is payable.)

There is a special category, known as alcohol-free beer, which contains less than 0.05 per cent alcohol – similar to a natural fruit juice. This is the fastest growing sector of the market.

The industry is pursuing two alternative approaches to making low-alcohol and alcohol-free beer. The most successful approach so far has been to brew a normal beer and remove the alcohol. Professor Bernard Atkinson, director of the UK Brewing Research Foundation, says this represents the "first generation" of low alcohol brewing technology. The second generation approach will be to adjust the fermentation process so that it produces very little alcohol in the first place.

At present there are three ways to reduce the amount of alcohol produced:

- Suddenly chill the fermenting mixture of carbohydrate (malted grain) and water – known in brewing as the wort – to inactivate the yeast.
- Change the composition of the wort so that it contains very little fermentable carbohydrate.
- Use an unusual variety of yeast which ferments less carbohydrate than normal brewer's yeast.

Although these techniques have been used for many years to produce beer-like drinks, they are not yet as effective for making low-alcohol lager as physically removing the alcohol from a full-strength brew.

However, scientists at the Brewing Research Foundation, which serves the UK brewing industry, are working on two projects which should lead to superior "second generation" low-alcohol beers. They are experimenting with new carbohydrate mixtures for existing strains of yeast and, more excitingly, they are preparing to create new varieties of yeast by genetic engineering. The ideal would be a yeast that produces all the components that give beer its character and flavour, except alcohol.

Atkinson says that when the laboratory started research on the genetic engineering of yeast in the early 1980s, the main commercial target was a low-carbohydrate slimmer's beer. So the research project was to add an additional gene to make the yeast ferment the starch that it would not otherwise touch.

But since then brewers have become less interested in low-carbohydrate beers and much more keen on low-alcohol beers.

Low-alcohol yeast is a far more difficult target for genetic engineering, and Atkinson warns against expecting quick results. But it is possible that drivers will be celebrating the eve of the year 2000 with genetically engineered alcohol-free beer.

For the moment the best approach is to remove the alcohol from normal beer in a vacuum distillation process. Britain's leading brands of alcohol-free beer, Barbican and Kaliber (from Guiness), are made by distilling full-strength lager. This is done under very low pressure, so the lager need only be warmed slightly to drive off the alcohol and it is not spoilt by overheating. Bass, for example, keeps the distillation temperature for Barbican below 30 deg C.

Even so some of the volatile chemicals that contribute to the beer's flavour are inevitably lost during distillation, and brewers are still learning how to reduce these losses. Bass has modified its process several times since introducing Barbican and the finished product does now seem more like real lager.

It will never taste exactly the same, even if the de-alcoholisation process is perfected, because alcohol itself affects the flavour of a drink. "We have to add a little sugar at the end of the distillation, because alcohol has some sweetness," says Bass. "When all the alcohol is removed it tastes extremely dry." Some water evaporates with the alcohol during the distillation, and that also has to be added back at the end.

Another way of removing alcohol is through "reverse osmosis". The beer starts off in a vessel with a semi-permeable membrane at one end, which lets through water and alcohol but keeps in the larger molecules that give beer its flavour and character. A high pressure pump forces water and alcohol through the membrane, leaving a beer concentrate behind in the vessel.

Water is then added back to the concentrate, to give a low-alcohol beer.

As with distillation, some flavour components are inevitably lost during reverse osmosis. But membrane technology is improving rapidly and brewers are beginning to use reverse osmosis to produce beers with a 0.5 to one per cent alcohol content, although the process is not suitable for alcohol-free beer.

WORTH WATCHING

Edited by Geoffrey Charlish

Better light thrown on the fire exit

DART Electronic Controls of Aylesbury in the UK has introduced Quantaflex, a sheet material of sandwich construction, which glows when powered by a 12 volt battery driving an electronic AC generator.

Dart believes such material, made into arrow shapes or door markers, could could help evacuate people from buildings on fire. It proposes a system in which smoke detectors covering the passages and doors would be linked to appropriate sets of the glowing signs.

An advantage of the signs is that they can be glued to most wall surfaces, making installation simple.

Quantaflex has a central layer of phosphor compound (as on the screens of television tubes) with a conductive metallic layer below, and a conductive but clear layer above. With the AC voltage connected across the outer members, light shines though the clear layer. Dart says it can make can make phosphor shapes to order, using silk screen printing.

Automation butters up the food industry

UP TO 3,000 sandwiches an hour can be made by semi-automated sandwich-making machines developed by Bryant, the UK food processing and packaging machine specialist of Stokenchurch, Buckinghamshire.

Bryant says that, at the moment, all sandwiches are made manually and its market research shows a demand for automation in large food chains and at airports.

The new machines have a buttering unit which is manually fed with the bottom slices of bread. These are then placed on a conveyor on which computer-controlled depositing heads place "pumpable" sandwich fillings, in measured amounts, on each slice.

Solid fillings are placed or added manually, as are the top slices of bread. Different types of filling can be deposited for production runs of double sandwich packs. The conveyor process is followed by an automatic sandwich cutter. Automated input of the bottom bread slices from magazines is planned for late 1988.

Continuous belt cleaning and sanitising facilities are provided and the depositing heads are easily removed and changed to allow production to continue, virtually non-stop, when changing the type of filling. The basic machine costs £70,000.

US fuels research into natural gas

METHYL ALCOHOL (methanol), a feasible vehicle fuel, is being made from natural gas in an experimental programme at the Los Alamos National Laboratory in the US.

Behind the work is the fact that although oil exploration has been disappointing over the last decade, large quantities of natural gas, mostly consisting of methane, are being found. The gas, however, tends to occur in remote regions and its transportation to developed areas would be easier if conversion took place at the well heads.

Funded by the US Department of Energy, the research focuses on partially oxidising the methane (in effect, partially burning it) so that the process stops at the methanol stage rather than progressing to the natural end result, carbon dioxide and water.

The work is based on a computer model of the process which specifies 146 chemical reactions, ten of these are critical in halting the oxidation.

At the moment, the efficiency of the process is only about five per cent, but better coverters are being built in line with the computer model.

Cheaper Racal link to private exchanges

RACAL VODAFONE, which runs one of the UK cellular radio networks, is offering cheaper direct connection between a company's PABX (private telephone exchange) and the radio network.

This service, in which the mobile phones are in effect turned into PABX extensions, has previously been available only at considerable cost by using a dedicated land line between the PABX and the regional Vodafone exchange, which might be a considerable distance away.

In the new service, called Vodanet, Racal is using a direct line to the nearest radio base station. Since there are many more of these, there is usually one close by, cutting transmission costs.

Vodanet is aimed at companies that have accumulated significant numbers of cellular radiophone users. Individual office extensions can be dialled direct from a car. Conversely, the car phones can be dialled direct from a PABX extension by pre-fixing the mobile number with a short access code.

Wang has key to optical storage

THE LATEST company to enter the optical disc document storage market is Wang, perhaps best known for its word processing systems.

WIIS (Wang Integrated Image System) captures the facsimile images of documents with a digital scanner and writes them, via a minicomputer, onto a 12-inch non-erasable disc holding up to 20,000 document images per side.

Extensive filing, search and retrieval software gives quick and easy access to any image.

CONTACTS: Dart Electronic Controls: UK, 0296 24478. Bryant: UK, 024026 3091. Los Alamos National Laboratory: US, (505) 667 7000. Racal Vodafone: UK, 0635 33251. Wang (UK): London, 568 4444.




Duos that dazzled (from left) Elizabeth Laurence and Omar Ebrahim in "The Electrification of the Soviet Union", Mark Tinkler and Philip Langridge in "Billy Budd", Marie McLaughlin and Thomas Allen in "Le Nozze Di Figaro" and Placido Domingo and Katia Ricciarelli in "Otello".

Opera in 1987/Max Loppert

Sounds of greatness – and foreboding

The operatic story this year was much as the year before: right across Britain there were performances of remarkable quality, confirming the extraordinary – and unabated – British aptitude and taste for opera. The difference between the year in question and the one before, or the one before that, however, was that in 1987 the odds against the success of our national opera companies seemed greater than ever. All felt the shortage of money more keenly than before; and one – Kent Opera – nearly went under. It was, in other words, business as usual in the "new-realist" 1980s.

The goal of the British New Right, according to one Sunday newspaper pundit, is to "extend the limits of the sayable". In the realm of the arts the limits were energetically extended in 1987: in various carefully placed and timed articles, the end of all government funding for the arts was being canvassed, predicted, and encouraged with grim enthusiasm. It was no doubt in the same spirit that Mr Richard Luce, Minister for the Arts, made his now celebrated speech accusing those working in the arts in this country of a persistent, ingrained "welfare state mentality" and urging such people to rid themselves of the need to be "nannied".

At about the same time it was announced that the Arts Council would be withdrawing its grant to Kent Opera. The outcry this caused came as no surprise to anyone who has experienced Kent Opera's work and Kent Opera audiences on home ground, although the powers-that-be appeared somewhat taken aback.

Not long afterwards a stay of execution until early in 1988 was announced, but that the Arts Council "expects Kent Opera to increase income from sources other than the box office, by at least £200,000 per annum from 1988 if it is to continue to receive Arts Council subsidy" – a ludicrously unrealistic expectation, of course, and doubtless when its absurdity is finally borne in upon those same powers-that-be, there will be another last-minute mind-changing exercise accompanied by matching Official Statement, all dressed up as yet another Arts Council triumph. (It is deeply satisfying to recall that in the midst of all this turbulence Kent Opera was busy preparing the premiere of Judith Weir's *A Night at the Chinese Opera*, which at its triumphant Cheltenham and Elizabeth Hall showings was revealed to be the best new full-length opera produced in this country for many years.)

Later still the Arts Council released plans for the three-year funding of national arts companies (good news if it helps avoid the desperate short-term planning traps into which all too many have been forced in recent years). It also presented its concept of "incentive funding" under which companies attracting sufficient amounts of private sponsorship will be rewarded, and vice-versa. One wonders about the possible effect of the stock market crash on prospective arts sponsors.

All the same, the basic situation, stripped of the tireless frothings of Arts Council public relations, is that grants continue to lag behind the rate of inflation in real terms; and that while the Arts Council itself remains as bloatedly uncertain of aim and vacillating of direction as ever, the British opera companies are almost all probably the fittest and leanest they have ever been – more artistically purposeful, and less wasteful than ever before.

There is an odd, rather unsettling paradox here. The survival and indeed the flourishing of such a company as the Welsh National (whose *Trojans* was one of the year's outstanding events) or Opera North (whose Stravinsky opera-and-ballet double bill and British premiere of Strauss's *Daphne* showed all of its wonted determination not to play safe in hard times) was enormously impressive and heartening. Even our oft-derided "centre of excellence", The Royal Opera, seems to be set on a new and artistically resuscitated course. But unless in high places the real achievements of British opera companies can be viewed without dogma, and with a real awareness of all the excellent things that need to be valued and genuinely invested in – the edge of the precipice will draw ever closer, and the decade will close with a real, not a postponed, operatic tumble.

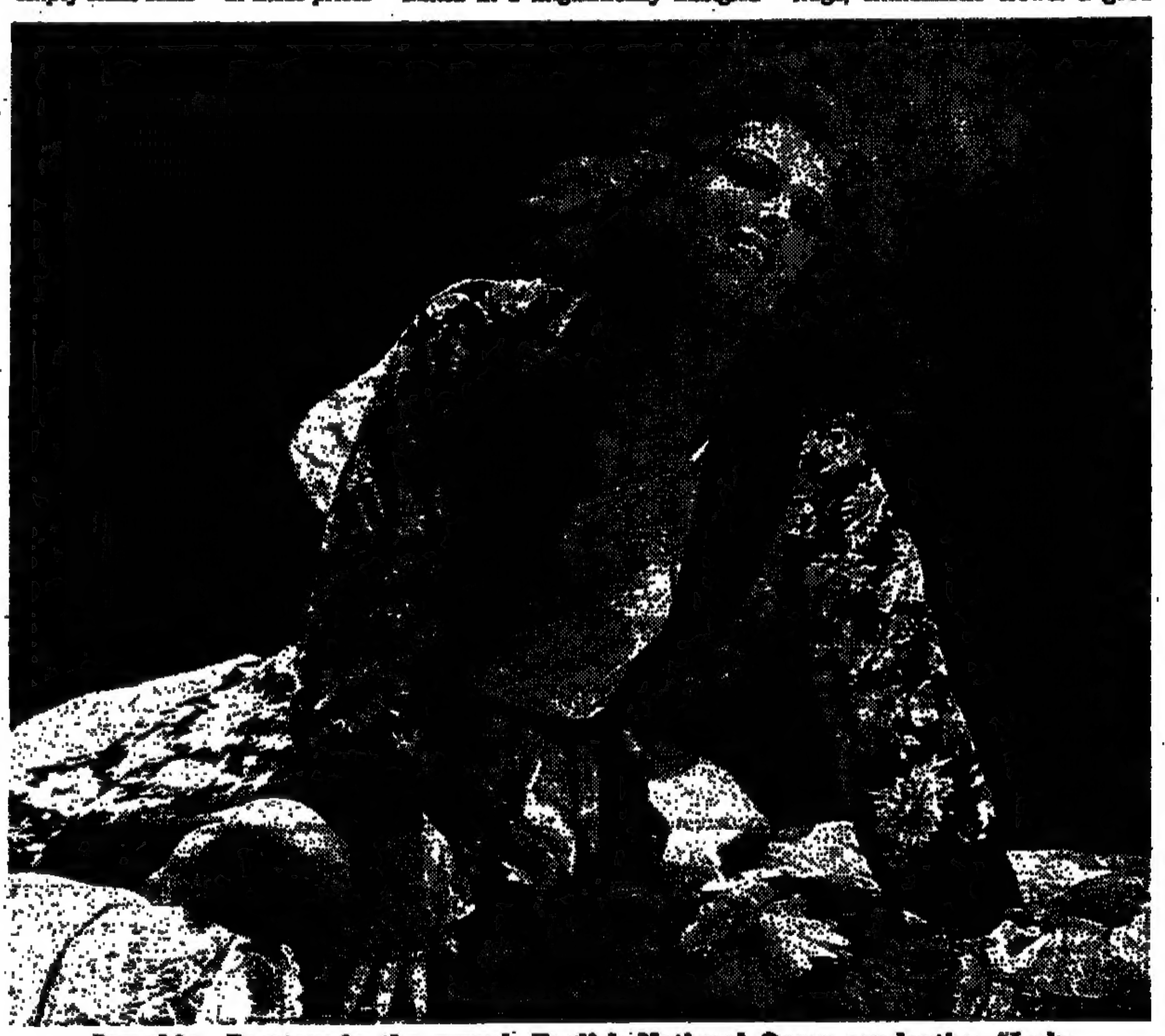
In truth, the signs of new life at the Royal Opera were no more than flickers – but for all that they were distinct flickers, and all the more encouraging in contrast with the preceding years of murk and gloom. Bernard Haitink's strong presence as musical director continues to provide reassurance. Early on, the news broke that Jeremy Isaacs was to succeed Sir John Tooley at the end of the 1988-89 season; later, Paul Findlay, formerly assistant director, took over the post of opera director. "Noises off" from all these gentlemen were greatly heartening, presaging a new sense of Royal Opera realism and hard-headedness. If even a small proportion of the various good intentions already expressed can be realised – intentions concerning the artistic identity of the company, the looseness of its so-called star casting, the balance of its repertory, the quality of its revivals, and the firmness of its resolve in dealing with megastar mega-whims – the Royal Opera House will become a more rewarding place to visit regularly.

Not that, on current form, regular visits can be a reality for more than the tiniest minority of the British opera-going public. Never before has the company been forced by lack of money into a position of such unwelcome inaccessibility as that which it now occupies: in response to inadequate grant levels, seat prices have skyrocketed all over the auditorium (top-price opera stalls now touch £70). As the editor of *Opera* put it, in a strongly-worded editorial, last August, "the raised seat prices at the Garden...are regrettable in that, *Catch-22*-style, they negate the very purpose of public subsidy – availability". It was depressing to note, at, for instance, the third performance of the new production of *Die Entfuehrung* in November, that the *Catch 22* effect appeared to be at work in the number of empty stalls seats – at those prices the desire to "take a chance" on an unfamiliar cast list (Solti's being the only really known quantity on it) simply evaporates. These are difficult times for the Royal Opera, as we particularly appreciated at the start of the current season, delayed by the dispute between management and chorus over pay.

Artistically, one is duty-bound to report that the great new era is still some way off. In 1987 the Royal Opera produced a mixture of hits and misses as diverse and inexplicable as ever. Any year that encompasses productions quite as visually dim and dramatically null as the new *Norma* and *Manon* or the re-worked *Tannhaeuser* is unlikely to be recalled in a rose-coloured haze (the Bellini, at least, had John Pritchard in the pit, and in the Wagner London was given at least a glimpse of Rene Kollo's commanding titular hero). Other less-than-cheering evenings were spent with a sadly miscast Agnes Baltsa in a linguistically mangled *Werther*; with the lamentable Andrei Serban production of *Fidelio* (surely this was its last-ever appearance?); and with the "superstar" conductor Giuseppe Sinopoli as he reduced an attractively cast *Tosca* revival to near-total ruins.

But the hits were unusually close to the bull's eye. The year opened, indeed, with a demonstration of international opera at its (very rare) best and noblest: Carlos Kleiber's magnificent conducting of *Otello* and Placido Domingo's overwhelming account of the title role have ensured that the too-short run of performances must occupy an indelible place in the annals of British operatic history, and the new production by Elijah Moshinsky supplied them with a sensible, handsome frame. (As Mr Moshinsky and I have been involved in not entirely cordial private correspondence on the difficult subject of his *Tannhaeuser* production, I take pleasure in noting here that I enjoyed his *Entfuehrung* production and Solti's conducting more than many of my colleagues.) Later in the year *Otello* returned, in rather more ordinary shape, though the belated London operatic debut of Julia Varady brought us a Desdemona of memorably pure, delicate stamp.

The British premiere of Sallinen's *The King Goes Forth to France* divided opinion – for myself, I have no doubt of its durability – but there was only praise, every syllable of it deserved, for Nicholas Hytner's brilliant production and for a uniformly excellent cast under Okko Kamu. Haitink, producer Johannes Schaaf, and a cast led by Thomas Allen, Marie McLaughlin, and Claudio Desderi, all in best voice and stage form, gave us a new *Nozze di Figaro* overfilled with bright, stimulating ideas – but that is surely preferable to the opposite, and the buzz of vitality in the house put a welcome end to post-dispute blues. Following Varady, another East European soprano made a late but very welcome arrival in London: Eva Marton, a glowing, ample-voiced Turandot (in a revival very keenly conducted by Jacques Delacote) and a Tosca of strength and sharp profile somewhat blunted by Sinopoli's Puccinian inadequacies. The splendid *Boheme* with Domingo, Allen, and the exquisitely moving Ilona Tokody was relayed on to a screen in the Covent Garden piazza, where it was seen by a huge, enthusiastic crowd: a good development. I must also record the special distinction of Gundula Janowitz's eloquent Ariadne, Colin Davis's *Fidelio* conducting, and Ingvar Wixell as a Scarpia seasoned but not stale.



Jospehine Barstow in the superb English National Opera production "Lady Macbeth of Mtsensk"

Nikolai Okhotnikov in the Kirov Opera's "Boris Godunov"

All things said, though, the greatest number of involving, communicative, theatrically purposeful London opera performances of 1987 were given at the Coliseum. This was a fine year for English National Opera. When every complaint and quibble have been recorded (about the two invertebrate new Jonathan Miller productions, the 1940s *Tosca* and the commedia dell'arte *Barber of Seville*, or the brutally ugly and incoherent David Alden staging of *Simon Boccanegra*, or the way Philip Prowse's addled design and production notions compromised the musical and vocal excellence of the new *Pearl Fishers*), one must insist on placing those criticisms in the context of the larger ENO artistic policy – which is never to take the routine road in its production of operas popular or unfamiliar, and never to play safe in its repertory balance.

The company juxtaposed Chaikovsky (David Pountney's dream-landscape *Queen of Spades*, which I hated in 1982 and over which I ate humble pie five years later), Gounod (a lovely *Faust*), G & S, Verdi, Dargomyzhsky (a surprisingly gripping account of *The Stone Guest*), Sondheim (*Pacific Overtures*, an addition to the schedule and a staging not welcomed by everyone), Glass, and Massenet (the spare, stripped-down new *Werther*). To achieve that and to operate almost totally without condescension or short cuts demonstrates a company guided by clear and convincing artistic priorities. Even that infuriating *Boccanegra*, in which the genuine Verdian authority of Mark Elder's conducting and the broad, fiery singing of Jonathan Summers and Gwynne Howell in leading roles seemed to find so little answer on stage, demanded to be taken and evaluated in a properly serious spirit.

And beyond all this it was the year of two quintessential ENO productions. At its midpoint the company gave us David Pountney's production of Shostakovich's *Lady Macbeth of Mtsensk*, and at the end, Pountney's re-working of *Hansel and Gretel*, both conducted by Mark Elder. These two "home-team" efforts, cast largely from company members or long-time associates, exemplified everything that can make a visit to the Coliseum an uplifting and challenging experience. Neither production was without its controversial aspect (in the Shostakovich the Pountney gift for stage animation threatened to run away with itself). Both have left a store of indelible musical and dramatic images – Josephine Barstow's Katerina Izmaylova is probably the finest of all her many ENO performances. In a recent article Pountney himself defined surtitles as "celluloid messages" for cultural tourists; as this horrible invention begins to take root across the country, it is at least a consolation to think of those companies – ENO, WNO, Opera North, Kent Opera – where the act of making meaningful music-theatre is undiluted, uncelluloid, and culturally intended to reach out more widely than simply to the tourist traffic.

My experience of the Welsh National was confined to a single opera (on this page Rodney Milnes reviewed, with reservations, the new Mackerras/Havergal *Figaro* and, with pleasure almost unlimited, the new *Fledermaus*). The completion of Tim Albery's *Trojans* staging can fairly be accounted one of the momentous feats in postwar British opera, a piece of modern music-theatre of profound originality and imaginative vision allied to a wonderfully full-hearted musical ensemble. I encountered the opera at Southampton, where Della Jones, Jeffrey Lawton, Anne Evans, and Mackerras himself were Berliozian heroes joint and several; and I was simply swept away by the thrill of the great epic in this inspired realisation. 1987 was also the year when Scottish Opera gave clear notice of renewed energies under its new musical director, John Mauceri. Graham Vick's electrifyingly austere, probing *Billy Budd* production (led by Philip Langridge and John Tomlinson) and Nuria Espert's ravishing, emotionally subtle *Madam Butterfly* (with Yoko Watanabe and conductor Alexander Gibson in splendid partnership) were the notable tokens; the opulent Victorian-dress *Aida*, unremarkably sung and fussily staged, was a failure of at least an honourable kind. But how sad that Messrs Mauceri and Mantle (general administrator) feel the need to experiment with those celluloid messages.

Glyndebourne had one of its relatively disappointing years. "Relatively", in this context, is a rather larger qualification than it might be in others – the legendary *Porgy and Bess* may have come back with less massively powerful impact than it possessed when new, but there was still tingling excitement to spare; *Capriccio* with Felicity Lott was elegant, civilised, very well-rounded. But the new Peter Hall-Haitink *Traviata* failed to make the sum of its many virtues add up (these included a sometimes nervous, often radiant heroine from Marie McLaughlin); and I must own to admiring the new Ravel double bill staging by Frank Corsaro rather less than did Ronald Crichton in these columns (our admiration for Simon Rattle's conducting was equal). The autumn brought Glyndebourne Touring Opera's much-awaited premiere – *The Electrification of the Soviet Union*, music by Nigel Osborne, words by Craig Raine, production by Peter Sellars (alas!). There will be a second chance to evaluate the achievement during the 1988 festival proper, and I sincerely hope my own first-time gloom and misery are confounded.

I also hope that 1988 brings a renewed sense of purpose to the Buxton Festival, for in 1987 it seemed to have reached rock bottom.

Edinburgh's operatic provision was skimpy, in the manner we have come to associate with the Frank Dunlop directorship. But the festival season closed with a knockout King's Theatre experience: the Finnish National Opera, which brought a rather feeble *Rigoletto* to Edinburgh, made amends with the enthralling British premiere of Merikanto's *Juha*, surely the Scandinavian operatic masterpiece of the 20th century. Just before Edinburgh opened, there was another operatic visit of considerable importance, the Covent Garden short season (followed by others in Birmingham and Manchester) of the Kirov Opera. It was easy to make sport of the old-fashioned sets and costumes, the very plastic, rubato-ridden conducting of Yury Temirkanov, and his passingly stiff stagings of *Queen of Spades* and *Onegin*. I prefer to recall the "company feeling" of the Kirov, its superb orchestra and chorus, and the best of its singers – the soprano Larissa Shevchenko (Lisa and Tatyana, both quietly touching and securely sung), the tenor Alexey Steblyanko (a Hermann of increasing dramatic and vocal force), above all the world-class baritone Sergey Leiferkus (Tomsky, Onegin). When Leiferkus later returned to London to make his ENO debut in *The Pearl Fishers*, singing with fine-lined elegance in strongly accented but communicative English, the star quality already recognised in Wexford and Kirov performances shone out with new lustre.

DAVID MURRAY will consider notable opera in his musical survey next week

On the fringe I must briefly recall Abbey Opera's totally committed, searching account of Kurt Weill's "winter fairy tale" *Silverlake* (for Camden Festival); Rossini's *Journey to Rheims*, done with wonderful wit and style by Guildhall students under Anthony Besch; a nasty University College Opera assault on Smetana's late, difficult, beautiful *Devil's Wall*; and *Opera Factory*, London Sinfonietta's Maxwell Davies-Ligeti-Weill triple bill (notorious for producer David Freeman's lavatorial re-working, deserving of rather more admiration than disapproval). But to the same company's violent hacking-down and hopelessly inadequate musical realisation of the two great Gluck operas sharing Iphigenia as their titular heroine, my response was simple despair, well-mixed with rage. 1987 was the year of the Gluck bicentenary. The BBC did very well by it (the BBC-Spitalfields Festival concert performance of *Iphigenie en Aulide* was, indeed, an exhilarating occasion). But the theatre is where Gluck's great operas belong; and, with the exception of Freeman's *Iphigenias* horror, the British theatre was the place where in 1987 they were notably missed. Shame!

Helen Field as Daphne in the Opera North production

FINANCIAL TIMES

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First step to debt realism

THE INGENIOUS proposal to swap some of Mexico's current international debt, which is heavily discounted in the secondary market, for a smaller amount of debt which carries an official US capital guarantee, will not transform the LDC debt problem at a stroke. Indeed, it will not even tranform Mexico's own situation; the promised balance of payments savings could be very modest and much of the country's debt will remain in the problem category.

However, it is the first practical, officially-backed proposal for a genuine reconstruction of problem debt, rather than mere rescheduling. It will replace bank debts, which will probably never be repaid, with bonds which will. It also offers the first real real incentive for lending banks to write off some of their past rash lending (apart from the desire to embarrass their competitors). If it gets realism on to the agenda, Mr David Mulford, US Treasury Under-Secretrary, will have some justification for his claim that this is a breakthrough.

Greatest ingenuity

In a purely technical sense, the proposed debt swap is not new at all; Mexico has been buying back its discounted debt in the market for some time. However, the secondary market is very thin, so the amounts have been small. More important, these transactions have been conducted so quietly that although they have have achieved some debt reduction, they have not improved Mexico's credit standing in the least. The public substitution of new debt, backed at maturity by US Treasury bonds, will almost certainly achieve an instant improvement. Indeed, one of the problems in framing bids for the swap is for lenders to guess how much the present 48 per cent discount on Mexican debt will be reduced afterwards.

It is the US Treasury which has shown the greatest ingenuity. It has contrived a solid capital guarantee which will not cost US taxpayers a cent. Selling 20-year zero-coupon bonds at an 80 per cent discount will cost exactly the same as borrowing on more conventional terms. This is a proposal which should make Mr Nigel Lawson, the British Chancellor, kick himself. He has been campaigning energetically for debt relief, but equally energetically opposing official guarantees. Mr Mulford has shown that he could have his charitable cake and eat it too.

The Mexican holding of these bonds will provide unquestioned capital backing for $10bn of the proposed new bonds (the US may be on course to become a problem debtor itself, but nobody questions its ability to redeem debts in its own currency). The saving on current debt service, on the other hand, could prove very modest indeed, after allowing for the income lost on the $2bn which Mexico will pay for its zero-coupon bonds. Meeting interest payments could remain a problem, especially since the coupon on the new bonds has been set high to attract bidders. The risk of non-payment of interest will remain and the new bonds are expected to trade at some discount in the secondary market.

This fact shows the real weakness of the scheme. If Mexico, which is in the strongest current account position of any of the problem debtors, cannot issue high-coupon, capital-secure bonds and attain a market premium, weaker borrowers and especially those who have already suspended interest payments, could not even get to the starting line in such a scheme. Debt relief for the real problem borrowers will require still greater ingenuity and will impose greater costs both on the private lenders - and probably on governments or international institutions too.

Sizeable benefits

The effort is still worth making and indeed some cost is worth paying all the same, for there are sizeable benefits to lenders and their governments as well as to borrowers. The prize for the banks is management liberation. Bonds do not require rescheduling and they can be sold in a healthy, above-board secondary market by any management which sees a more profitable use for its funds. The gain for governments, and for the whole developed world economy, is that the restoration of creditworthiness in the developing countries should stimulate growth and exports in all the developed world. Mr Mulford's lead should be followed up energetically.

Soviet goals in Afghanistan

THE eighth anniversary of the Soviet invasion of Afghanistan has once again underlined the proposition that an improvement in East-West relations is not exclusively dependent on arms control agreements. Indeed, a solution of the Afghanistan problem has been made a touchstone by most Western governments of the sincerity of Moscow's avowed desire to end the long period of hostility between East and West.

In the euphoria created by the signature by President Reagan and Mr Gorbachev of the INF missiles deal, the lack of progress on regional issues tended to be obscured. Yet enough was said by the two leaders at their Washington meeting to allow a small glimmer of light to appear on Afghanistan.

It was at least a promising sign that Mr Gorbachev stated so clearly that he was prepared to accept a 12-month timetable, or even less, for the withdrawal of Soviet troops. Few people now doubt that Moscow genuinely wants to extricate itself from a situation which has been increasingly likened to the US experience in Vietnam.

Military advantage

Moscow has found itself obliged to tie down permanently some 115,000 troops in a war which not only earns it black marks in the West but which is proving more and more unpopular at home. The fighting has recently become more intense, with thousands of Afghan government and Soviet forces involved in one of the biggest battles since the war started to relieve the siege of the south-eastern garrison town of Khost.

It may well be that both sides are intent on gaining military advantage before the diplomatic bargaining begins. Yet it would be an illusion to believe that just because Moscow wants to withdraw its forces from the country in principle, it would do so on any conditions. The crux of the problem has always been the composition of the interim regime which would replace the present Soviet-backed Kabul government led by Mr Najibullah and the nature of Afghanistan's future political system.

With a long common frontier with Afghanistan, Moscow's interest in ensuring that the government in Kabul remains a trusted ally is obvious, particularly since the probable alternative is a fundamentalist Moslem regime on the Iranian model. The likelihood that the Soviet Union would ever accept democratic elections of the Western kind is also very slight, even if such elections are at all conceivable in a country rent by tribal feuds.

Possible compromise

On the other side, the mujahidin groups, who have so far refused to have any truck with Mr Najibullah and have insisted on direct talks with the Russians, must be brought round to dealing with the present government if an agreement on an interim regime is to be reached. A possible compromise is to involve the deposed King Zaher Shah in bringing the different factions together, a Russian idea which has not been ruled out in principle by Washington.

To believe that Moscow will set a date and agree on a timetable for a withdrawal of its troops before the political arrangements are settled is unrealistic, however desirable it might appear. The two problems have to be dealt with in tandem and this will require much greater pressure by the superpowers on their allies on the ground than the US, in particular, has been prepared to impose hitherto.

THE ARMS BUSINESS

Discreet hype

By David Buchan

YOU MAY have received a Christmas card this year with a three-masted schooner bathed in the soft impressionistic glow of a winter's afternoon. But I wonder if, like me, you got one such card from a torpedo manufacturer. Am I being over-sensitive, or does that smack of mousetrap makers pretending to love mice?

Certainly, Christmas is a time when the defence industry is more conscious than ever of the need to sugarcoat its image. But arms manufacturers, generally speaking, are becoming subtler, and more private, in pushing their products. Fewer companies are taking to public print to advertise their latest model of helicopter as "seven tons of raw fury"; more firms prefer to woo clients with champagne in seclusion at the increasing number of closed-to-the-public defence exhibitions around the world.

Perhaps the marketing switch has a little to do with the improved climate of East-West relations. More fundamentally, it is the result of competing pressures on advertising and promotion budgets forcing defence contractors to be more selective. The rise in the 1960s and 1970s of a large defence publishing industry has been outstripped in the 1980s by an even faster proliferation of defence exhibitions. Thus, several defence publications have either folded or been taken over in a sector now dominated by Jane's Publishing in the UK and Aviation Week in the US.

Not only has the number of exhibitions in the US and Europe increased, but such countries as Australia, China, Singapore, Malaysia, Korea, Chile, Saudi Arabia and Egypt all host regular arms shows. These exhibitions enable the international arms manufacturers to group their "target" audiences, the men with fingers on their countries' defence purse-strings. More than 80 national delegations, for instance, attended the Royal Navy Equipment Exhibition (RNEE) at Portsmouth.

But there are still a few gung-ho advertisers left, unabashed about proclaiming their wares in graphic detail. Foremost of these is McDonnell Douglas, the St Louis-based aircraft company. Take this Boy's Own gem from a recent advertisement for the F/A-18 Hornet strike fighter: "I shoot off a Sidewinder – and nail him! Still have the mission to complete so I switch back to air-to-ground. I pull upside down, roll over and come in at about 45 degrees, drop my bombs – bull's eye! Geez, it was just beautiful ..." McDonnell Douglas has also been promoting its Apache helicopter under the rubric: "The Apache owns the night – it gives nightmares to all the right people."

McDonnell Douglas is pushing the updated F-18 in Europe as an alternative to the French Rafale and to the Eurofighter, which the UK and other European countries are building. But heavy public advertising is not the usual way of lobbying defence ministries in Europe, whose procurement decisions are much more centralised than in the US. A rare exception was the full page ads which GEC of the UK and Boeing, Grumman and Lockheed of the US took in the British press last year to promote their rival airborne radar aircraft, despite a warning from Mr Peter Levene, the UK chief of defence procurement, that such lobbying was a waste of money.

The main target of the Hornet ads, run largely in the US defence press, is the Pentagon. "People often ask me why do you bother to advertise when you've only got one customer," says Mr John Bickers, McDonnell Douglas's director of corporate advertising. "Well, there are 30,000 in-trays in the Pentagon, and though there's only one guy in the end who says yes or no, there are plenty of influential voices along the way."

Far more common these days, however, is coy understatement. One advertisement from Harris Corporation, a big US defence electronics company that Plessey of the UK was prevented from taking over by the Pentagon on security grounds, ran under the heading Dropping In Unannounced. The product in question was an electronic black box enabling a pilot to fire at enemy air defences from far enough away to avoid placing himself in danger.

Another way of conveying the message that a weapon is lethal without actually saying so is to borrow the image of one of the more ferocious members of the animal kingdom. Armscor, the South African arms manufacturer, likes to use a charging rhino

A further means of effective communication is simply to let a country's military record speak for itself. Thus, Israel Military Industries merely emblazons its ads with the slogan "Combat-Proven" without going into detail, just as UK defence manufacturers did for a while after the 1982 Falklands war.

British companies are generally more discreet in their promotion than their US counterparts. It is certainly not a case of "No arms sales please – we're British." Indeed the Ministry of Defence and the UK arms industry has been not so quietly trumpeting record arms sales of £5.9bn in 1986, pushing France out of third place in the world arms sales league. This is cited by the MoD as proof of its more competitive procurement policies at home, and as an export spin-off from Britain's substantial defence research and development effort which other departments in Whitehall want to scale down.

But individual UK companies want to appear at least no more "bloodthirsty" than their fellows. They seem to follow an unwritten code of taste and the UK Advertising Standards Authority has had no complaints that defence ads have offended its guidelines. The only "defence" complaints the authority has received relate to military games for children.

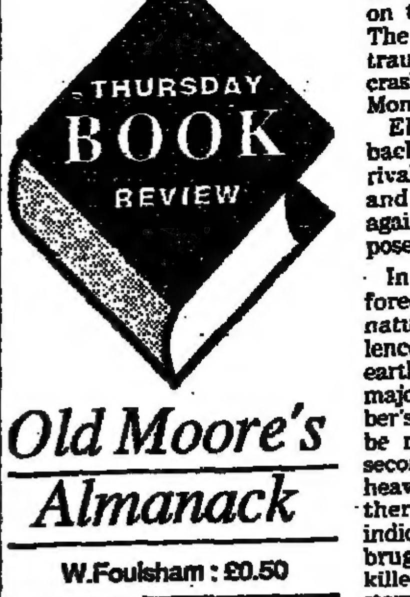
Of course, the more specific defence ads appear in specialised military journals. These magazines are mainly on subscription only, generally at the request of corporate advertisers who positively shun the wider publicity that newstand sales might bring. Thus, a torpedo manufacturer might be more than happy to have Jane's Defence Weekly depict its product breaking a ship in half, but would not dream of promoting itself in the general media in this way.

The distinction that most companies make between corporate and product advertising is particularly sharp in defence. British Aerospace may, for instance, display the Tornado or Eurofighter in general press ads to bolster its corporate image, but it reserves promotion of its large range of individual weaponry for the technical defence media. GEC has recently stepped up its advertising, less to push individual weapon systems (on which it has had bad publicity recently) than to remind the public that its Marconi group of companies is one of the country's largest military contractors.

The defence industry often gives only partial information of individual sales because of client sensitivity. On domestic sales, companies frequently have to wrestle with the MoD about the level of detail they can put in a press release, while some overseas customers, particularly those like Saudi Arabia with a highly developed sense of secrecy, would prefer none at all.

But, precisely because of the relative paucity of accurate information, all arms companies are avid readers of what does appear in print. "The more competitive environment, domestically and internationally, has increased the need for defence information," says Mr Bob Hutchinson, of Jane's Publishing, "as new entrants into the market seek out opportunities and the established players keep a check on where the new challenges are coming from." He also notes that "exhibition fatigue" has set in, with companies finding attendance costly and time-consuming. Sending a tank for show to the Middle East, for instance, requires a mound of paperwork and an army of technicians and salesmen. BAe is even considering cutting exhibition promotion on its home ground at next year's Farnborough air show.

If arms makers are presenting a softer, more anodyne public image, it may reflect worry over what is happening behind the scenes. A growing number of weapons producers are resorting to dirtier tactics in pursuit of a static amount of business, according to the Stockholm International Peace Research Institute (Sipri). Its 1987 report claims "the use of private arms dealers, obscure shipping lines, middlemen and false end-use certificates" has become prevalent. No fewer than 27 countries, Sipri calculates, have supplied both belligerents in the Iran-Iraq war. Such arming of both sides, done as much by governments as by private industry, is to many people the height of cynicism. It is, therefore, not surprising that the defence industry finds it hard to shake off its "merchants of death" label.



Old Moore's Almanack

W.Foulsham : £0.50

OLD MOORE'S body lies a-mouldering in the grave but his Almanack goes marching on. No unforeseen circumstances have prevented his collection of world predictions and prognoses from being published every year since 1697.

Whether Dr Francis Moore forecast that his almanack would find its way into the record books as the oldest annual in the world is not known. An astrologer and doctor of medicine in the parish of Southwark, London, he died in 1715 aged 58 – a mature, rather than wizened, age by modern standards.

The first Old Moore's Almanack, printed as a broadsheet, included herbal remedies and advertisements for potions sold by the wily doctor. The 1988 version, paperback-size but rich in advertisements for witchcraft books and fortune tellers' apparatus, is expected to sell more than 1m copies.

Old Moore's seems a peculiarly British phenomenon. Although it is sold around the world, with sales particularly strong in the West Indies, the majority are bought in the UK.

Abroad, probably its closest imitator is the Old Farmers' Almanack from New Hampshire in the US. Published annually since 1792, it covers mainly weather and agriculture.

Old Moore's has fed upon the British awe of the supernatural. Looking into the future, it goes beyond the behaviour of mankind and rational scientific reasoning, taking guidance from the inevitable rise and fall of extra-terrestrial bodies.

Alas, the stars of heaven were not looking kindly down on Old Moore's soul when predictions for the now fading year of 1987 were compiled. With the shamefully unjust advantage of hindsight on New Year's eve, his pussy-footing and hedging of bets lie exposed. Modern almanacks are prepared by a committee of six anonymous astrologers but, looking through the rectrospectoscope, their report for 1987 was not convincing.

The almanack plumped for a British election in either May or October, with the latter the most likely. "The three main parties will be evenly balanced but the signs are that the Conservatives will retain their power," it surmised; falling far short of the 101 majority won by Mrs Thatcher – in June.

W. Foulsham & Co, Slough-based publishers of the almanack, boast that Old Moore picked three classics winners on the racecourse in 1987, but its success in predicting form on the stockmarket was poor. The stars gave no hint of the traumatic world stockmarket crashes of October 19 – Black Monday.

Elsewhere, Mikhail Gorbachev failed to remove his rivals in the Communist party and bring charges of fraud against them, as he was supposed to.

In March, headlines were forecast to be dominated by natural disasters, street violence, terrorism, plane crashes, earthquakes and a fight at a major rock concert while October's weather was predicted to be mild and sunny until the second half, when gales and heavy rain were expected. Neither exactly gave a serious indication of the March Zeebrugge ferry accident which killed 188 people or the mighty storms of October 16.

As if to compensate for its cautious outlook for a tumultuous 1987, the latest almanack foresees a welter of commotion and disturbances in the year ahead.

January offers a "mood of national crisis" in the UK and a Government that will "try to buy its way out of its difficulties and fail". There will be hints of open rebellion in the Conservative party. Establishment figures in the City will be linked to an arms deal scandal, while booming spending goes hand in hand with bankruptcies. Oh, and there is a risk of a nuclear accident.

Property prices in parts of the country will fall sharply in February while a sex or drugs scandal will rack the Labour party. The weather will be "exceptionally severe". In March, there will be speculation about a divorce in the Royal family – again.

On the stockmarket, share prices will slide to a low by April 21 (Really Black Thursday?), then rise sharply. A plunge proper is forecast for September. Old Moore warns of omens of a global economic crash, but the UK is expected to fare better than others – a prediction in line with many City forecasts.

Other months will be spiced with possible mass resignations in the Labour party, a major prison outbreak, an addition to the Royal family, a breakaway in the Church of England, staff embezzlement at a leading charity and an autumn of worldwide floods, earthquakes and explosions. In the US, the Democrats are favoured in the Presidential Election.

More sinister are the results of the conjunction of Saturn and Uranus on their 44-45 year cycle. Saturn is the planet of order and stability; Uranus of change and innovation. "When the two planets move together again in 1988, an old order will begin to die," says Old Moore's.

The best that can be hoped for is the decline of East-West tensions, the almanack says. What the worst could entail is not revealed but the authors warn of signs of "profound political change" in America, the USSR, the UK and the European Community.

The strivings of mere mortals, presidents and the powerful, the pursuit of ideas and ideology, are irrelevant. The future is in the stars.

Ralph Atkins

Men and Matters

Walker's crafty Welsh move

Peter Walker has gone to one of his old friends to try and inject some life into the Welsh craft industry.

Two years ago, when he was energy secretary, Walker chose Tony Ball as his marketing adviser. So highly did he value his services, especially for Ball's work on the Save Energy programme, that he has now called in the one-time BL man to do something for the potters and woodcarvers of Wales.

Ball is the man credited with putting the Mini on the stands back in 1959 and, two decades later, generating the programme that led to the launch of the Metro.

Walker says that the craft industry in Wales "has a major part to play in the future of the Welsh economy" and no man is better fitted for the job.

Ball, who now runs his own marketing group and also adds BL's Buy British campaign to his service medals, has taken on the task on a no-pay basis.

He will have his work cut out. The craft industry, which wants to throw off its smocks-and-straw image, has been under attack from bodies such as the Welsh Development Agency and Mid Wales Development – two quangos for which Walker also has responsibility in his role as secretary for Wales.

Ball has one strong card even before he starts. His wife is Welsh-speaking. So if the going gets rough he will at least know what they are saying about him.

Arms and hems

It is refreshing to have conventional wisdom questioned. And here are some US pundits doing their best.

Along with most of mankind, you may have thought the weakness of the dollar had something to do with the US budget deficit, swollen by the Reagan-Weinberger spending spree on defence.

Not so, says a report from Prudential-Bache, the US securities house. The US currency, according to Pru-Bache, may even be sinking because US defence spending is too low.

"We believe it is felt that wealth can be more safely preserved in the currency of a country that displays the will to be militarily strong", says the report, thus conveying an impression that the key factor for most investors in the US is likely to be the number of tanks to be seen around Fort Knox.

With the administration striking arms control deals with Moscow, congress pressing for defence cuts, and Frank Carlucci, the new defence secretary, offering budget concessions, "the international view is of a militarily weakening US and of the dollar as a riskier currency in which to put one's trust".

Pru-Bache even publishes a chart showing a coincidence in the peaks and troughs in the dollar's international value over the last 20 years and US military spending. It's quite a good fit.

Now, you Wall Street backroom boys, what about a new correlation between hemlines and the dollar?

Painful barnacles

Indignation, both real and tactical, seems to be attached like barnacles to the America's Cup.

The New Zealander Michael Fay professes himself shocked that the "unsporting" Californians don't want to meet his unilateral challenge in a radical 90ft-waterline "K-class" boat.

Malin Burnham, head of the reluctant San Diego defence, asserts that the US hasn't suffered "a sneak attack like Fay's since 1942 at Pearl Harbour". A Christmas meeting between the two men was icy. Burnham says he is proud of not having raised his voice – but then he is known as the calmest Californian around. Mrs Burnham reports that they haven't had a quarrel in nearly 40 years of marriage.

He told Fay that San Diego reserved absolutely the right to build a multi-hull defender, if that was the faster option, and to sail the contest in rough conditions like Hawaii which would place the ultra-light Kiwi boat at a disadvantage.

One hopes that Fay, an Auckland merchant banker, doesn't end up like Thomas Lawson, a New York broker who built a speculative 90-footer for the Cup in 1901. After three months of futile sparring with the New York Yacht Club to be allowed to race, an indignant Lawson petulantly ordered the Independence to be broken up. Her 13 weeks afloat cost exactly $205,034.80 – a considerable sum in those days.

Still fighting

What Lawson did leave behind was the monumental History of the America's Cup. This definitive and enjoyably partisan work was first published in 1902, and has been a collector's item for the past half-century.

The desperate struggle for second-hand copies should ease slightly with the first-ever reprint by the Hampshire firm Ashdown Press.

The 1500 numbered and beautifully-bound copies of the limited edition cost $58.95. It is probably worth the money for the acidly-written footnotes alone. Of James Ashbury, owner of Cambria which made the first British challenge in 1870, Lawson observes "James Ashbury was the son of a wheelwright who invented a railway carriage and thus laid the foundation of a fortune. He was a native of Manchester but resided in London. Though possessed of great wealth his social standing was not high. His efforts to win the Cup were in the nature of a bid for social and popular favour, although Mr Ashbury was without doubt an aggressive sportsman."

While the boats change, racing yachtsmen seem to be cast in a permanent mould.

Malin Burnham has been heard to observe recently that he was sailing at the age of 10, won the world championship in the Star boats at 17, and has been involved with the America's Cup for 20 years. Fay, he observes, has been jolly successful at business – but not often observed on the deck of a sailboat.

Thomas Lawson, thou shouldst be here

Doctors' dilemma

With trade unions increasingly attempting to attract members by offering a range of financial, and legal services, the Hospital Consultants and Specialist's Association, the union which represents the nation's top doctors, is leading the way.

The winter issue of the association's journal, newly-published, starts with a discussion of consultant's contracts, and staffing plans for NHS.

But it concludes with articles on two issues apparently close to the heart of most consultants. Mark Daniels has contributed an article headlined "Inheritance Tax – and How to Pay Less Of It", which is closely followed by a piece analysing the reasons for the revived popularity of the upmarket holiday island of Madeira.

While it is unlikely that other unions will follow the HCSA's lead on these topics Maxwell Saunders, a former HCSA council member, has written a piece which may become a model for the new unionism.

He writes from Spain on the joys of retirement in the sun. Presumably among his neighbours are Ron Todd's fabled £400-a-week dockers with their little places near Malaga – along with the fugitives from British justice who have given the southern strip the name Costa del Crime.

Market maker

A reader recently in Florida tells me about a sign in the window of a gift shop near his hotel reading "Open 8 days a week".

When tackled the shopkeeper cheerfully admitted that more than half his business comes from tourists anxious to point out the mistake.

Observer

THERE WERE only two serious candidates for the Financial Times Man or Woman of the Year 1987. Both of them will perhaps vie for the outstanding figure of the decade in two years' time. They are Mr *Mikhail* Gorbachev and Mrs Margaret Thatcher.

The Soviet leader was eventually eliminated not simply because he had already won the title in 1985, while Mrs Thatcher turns out never to have done so. The award goes on merit; there is no reason why the same person should not receive it more than once, rather like Liverpool Football Club regularly picking up the trophies.

Yet although Mr Gorbachev has advanced a great deal in the last two years, including persuading the outside world *that he means it* when he talks about economic reform and signing an agreement with the US to eliminate intermediate nuclear forces, he still has a long way to go. He is a figure on the international stage in a way that his recent predecessors were not and there is intense interest in *whether his* reforms can be achieved. But the test of *perestroika* – the radical restructuring of Soviet society – lies at home and it has not yet been passed.

Woman of the Year

Margaret Thatcher

A crusade that's far from over

By Malcolm Rutherford

Mrs Thatcher wins partly on staying power. Who would have thought when she first became Prime Minister in 1979 that she would be winning again in 1987 and talking about still being in No 10 Downing Street in 1993? Next week she replaces Asquith as the longest continuously serving British Prime Minister this century.

But it is not staying power alone. It is her ability to fight and win that is sometimes underestimated. In January 1975, after the Tories had just lost two general elections in a row and she was an outside candidate for the leadership, Mrs Thatcher wrote in the Daily Telegraph: "Successful governments win elections. So do parties with broadly acceptable policies. We lost." She has been winning ever since.

Part of her record has been put down to luck, of which she has had plenty: the Falklands War, the benefits of North Sea oil, the splits in the opposition. Yet luck is only a factor in the sense that all good generals need it. Determination has played the greater part.

If one goes back to some of her speeches as Leader of the Opposition – some of the best that she has made – it is remarkable how clearly she signalled what she intended to do. She rebelled against the defeatism of the time. The determination to curb the power of the trades unions, to reduce inflation, to have tighter control over public expenditure and to give people greater choice were all there.

People may have failed to note, however, that behind the rhetoric there was nearly always a note of caution. "Our approach," she told the Conservative *Party Conference in* 1977, "was put very simply by a Chinese philosopher centuries ago: 'Govern a great nation as you would cook a small fish. Don't overdo it.'"

One of her skills in government has been to know when to beat a tactical retreat. She backed away from a confrontation with the miners in her first term because she could not be certain of winning. Then she successfully stood up to Mr Arthur Scargill in her second.

On other matters she has accepted policies against her natural instinct: the settlement which brought about an independent Zimbabwe, for instance, and the Anglo-Irish agreement.

She has also had her downs, and no doubt will again. Much of her first term was spent in conflict with her Cabinet over how far the Tory economic policy could be pushed if the consequences included rising unemployment and a shrinking manufacturing base. The turning point came with the 1981 budget which sought to restore Treasury control over public spending. But at the time it was widely asserted, even by Conservatives, that their chances of winning the next election were limited.

The victory in 1983 was aided by Mr Michael Foot being leader of the Labour Party, by the Falklands factor and by the emergence of the SDP-Liberal Alliance to split the anti-Tory vote. If ever Mrs Thatcher was lucky, it was then.

In the first two years of the second term, however, her *Government again seemed to* lose its sense of direction. Too much time was spent on relatively unimportant legislation like the abolition of the Greater London Council. Then came the Westland affair and the virtual breakdown of collective responsibility in the Cabinet. *It was Mrs Thatcher's* worst few months.

Yet by the party conference of autumn 1986 not only she, but the Government as a whole, had begun to fight back. That conference was the turning point of the second term. Ministers listed what had *been achieved* and *what was* planned, and did so in extraordinary unison. Their chances of re-election were also improved by unemployment finally beginning to fall.

Not the least consequence of Mrs Thatcher's third victory is that many of the changes that she has introduced seem likely to stay. There will be no going back to a high level of state ownership nor to treating trade union leaders as an arm of government.

Others would have rested there. Mr John Biffen, once one of her closest advisers, had concluded long ago that her Government had already been radical enough and that it was time for a period of consolidation. Mrs Thatcher, however, appears determined to stick to one of her original maxims: press on and *lead* from the front. Hence the voluminous legislation in the first Parliament of *the third term* and the expectation that the new Government will have difficulties over such matters as the poll tax and the Education Bill in the House of Lords.

Mrs Thatcher has been in trouble before and got out of it. Indeed it seems almost a rule *of thumb that the first two or* three years of her governments are the most unpopular.

So what will the scene be like in, say, mid-1989 when the next election may be only two years away? There is no doubt, at present, that she wants to go on. As she told the Financial *Times recently, she is already* thinking about the completion of the single European market in 1992, looking forward to the opening of the Channel Tunnel and even wondering how to celebrate the year 2000.

But she does not always talk like that. She has said that *when the time comes for someone* else to "carry the torch", she hopes she will be the first to realise it and not hang on.

The moment of decision, one suspects, will come in about two years' time, when she will be 64. Yet apart from the fact that it is not at all obvious who *the new torch-carrier will be, if* one goes back again to those early speeches, it is also plain that there is a great deal that she set out to do that has not yet been achieved.

With hindsight, certain *strands stand out that were* perhaps not fully noticed when they first appeared. It is common *to* say that she *only* took up the inner cities when she saw the size of the Labour vote in Scotland and the north-east at the last general election.

Yet the theme was always there. Mrs Thatcher did not set out to create a prosperous south and leave the rest to rot. *Concern about the poorer cities* and the north-south gap was always a prominent part of her creed. What she wants is more flourishing Granthams all over the country: cities like Liverpool, Newcastle and Nottingham regaining their civic pride and becoming, as she *said recently*, "*almost like city* states". She is not at heart a metropolitan figure, nor even a suburban one. She likes cities of a decent size in decent order. That is one of the keys to Thatcherism and she knows that it has not yet been realised in the north of England.

Another piece of unfinished business is unemployment. Mrs Thatcher won the election in 1979 not so much on a promise of "Britain strong and free" as of putting Britain back to work. Yet unemployment now, despite the recent falls, is still more than twice as high as *when she came to power.*

If she never realised that the radical restructuring of British society would take so long, she also never foresaw that she would have so much time in which to try to achieve it. That is one reason why she might be tempted to go on. She wants to finish the job: reform education, *housing, the health* service, the lot. The long march through the institutions, to use the Maoist phrase, is far from complete.

There is also foreign policy, to which she came late. Her standing in Europe is much higher than it was a few years *ago when she was quarrelling* about the British contribution to the Community budget. She may even succeed in prompting reform of the common agricultural policy.

Indeed her standing abroad in general is higher than it is at home. That may be because *we see the picture from too* close: the periods of dreariness, the vast amount of time spent on minor legislation, the failures as well as the successes. Foreigners stand back and see a country that has turned round and is *no longer* a candidate for the sick man of *Europe*.

In perhaps the most memorable speech she has made, she said in Cardiff just before the 1979 election: "In politics I have learned something that you in Wales are born knowing: if you've got a message, preach it."

She has gone on preaching – some would say nagging – ever since, but that is only part of it. The secret of her success is that she is a supremely skilful politician who is still capable of learning on the job.

JOE ROGALY

It'll be great in '88

WE ALL KNOW what 1987 was – the Year of the Condom. It was the year in which millions of young people the world over declined to utilise what their elders would previously not even mention. It was also the year in which a company called Virgin became associated with the condom, which is a bit like a company called Vegetarian opening a chain of hamburger shops. Next year will be different. The older folk will still be wondering if they'll ever need a condom *again – while* the young will be carrying on as if nothing had happened. So let me tell you instead about 1988.

It will be the Year of the Jackass. Oh yes it will. For if I remember rightly ex-President Richard Nixon was reported as saying the other day that if the US economy *gets* into a mess in 1988, then the Democrats can run a jackass and still win the Presidential election. The US economy sure is getting into a mess, and the Democrats seem to have three, four, maybe five jackasses to choose from.

Of course it won't only be the Year of the Jackass. (It's going to be a big year, is 1988.) In Australia it will be the Year of the Convict. Right at the beginning, on January 26, they will celebrate the 200th anniversary of the day on which the first white Aussies stepped ashore to found the colony of New South Wales. That was the start of a major campaign to stop further immigration into Australia. Its leading proponents are the aborigines. They want the policy backdated to January 25, 1778.

In Britain it will be the Year of the Dragon. This game of naming years is in fact an import, taken from Japan, which takes it from China. I am at a loss to explain why I have suggested that the title should be used in Britain, or indeed who the Dragon might be. You will have to make your own guess, or ask the Leader of the Opposition, Mr Neil Kinnock. Perhaps you should leave out any follow-up question about why 1987 was the Year of the Rabbit.

Japan itself is giving up the tradition – Dog, Dragon, Tiger, Rabbit and so forth – and plans to settle for becoming a Floating Island next year. It is, in fact, about to lift off to become the island in the sky that Lemuel Gulliver located somewhere around there. The islands will achieve levitation by means of a magnetic link to the Nikkei Dow index, which has managed for so long to climb up its own aspirations that it now proposes to take the entire country with it.

In the Transatlantic entertainment business, TV soaps are going to get really big. Nothing so small-minded or down-market as Dallas or Dynasty will mar our screens next year. The megasoap now in the planning stages (director Stephen Playmountain) is to be entitled Robert vs Rupert or R & R for short. Former British Chancellor of The Exchequer Denis Healey is playing Robert, while Paul Hogan is taking the part of Rupert.

Unfortunately, scripting is turning out to be a problem. Both men are portrayed as restless multi-millionaires; each is obsessed with the permanent expansion of his business empire, each lives only to outdo the other. They globetrot, wheel and deal, and never stop to smell a rose or enjoy an hour of peace. Jeffrey Archer wouldn't touch it. As Playmountain explains: "One megalomaniac hero is hard to portray all the time but two simply isn't true to life."

Meanwhile, the Soviet Union is preparing to celebrate the Year of Saatschki & Saatschki. This year they mastered the Western art of public relations to the extent that Mr Gorbachev has been scored by at least one opinion poll as the most admired man around. (For the most admired woman, see Year of the Dragon.) The Russians have shown how to manipulate US network television and win for their man the most gushing press since, during the Second World War, we all used to love Stalin. Now they are surely planning to export their skills. When Saatschski & Saatschaki is floated by Moscow Narodny Bank, buy buy buy.

Letters to the Editor

Irrational behaviour

From Mr Frank Blackaby.

Sir, Editorial comment on the recent behaviour of world stock markets has been predictably anodyne. Stock markets are – or should be – in the business of providing a correct assessment of the value of industrial capital. That assessment should be based on the prospective earning power of that capital over a long period of time.

Over the space of one week, world *stock markets collectively* revised down their estimate of the value of a large part of the world's industrial assets by over one fifth. There was no sudden event to justify this abrupt reassessment. It was said to be a reaction to the existence of a deficit in the US Federal Budget – a deficit which has been with us for more than five years.

Even if the adjustment had been spread over *five* years, instead of being concentrated in one week, it is doubtful – for many reasons – whether it would make much economic sense. To take just one point: the United States is a federal state, *and the appropriate figure (in so* far as it is appropriate at all) is the public sector borrowing *requirement, including the* deficits or surpluses of states, cities and municipalities. That has been a very different figure.

Some people argue that, since stock market behaviour seems so totally divorced from the real economy, it *matters little*. Certainly it is true that the stock market fall was not preceded by any reappraisal of world economic prospects.

Stock market behaviour is not in that sense consequential – one might say rational. Unfortunately it can be causal, it can feed back into the real economy. If there is a marked slow-down in world economic growth next year, the irrational behaviour of world stock markets can take part of the blame.

Frank Blackaby,
9 Fentiman Road, SW8

If intended for publication, letters to the Editor should include, where possible, a daytime telephone number.

Free trade is not attainable

From Mr Harry Shutt.

Sir, It is regrettable that your leader (December 10) should apparently give unqualified *support to the conclusions of the* Trade Policy Research Centre study, Public Scrutiny of Protection.

Few would dispute the desirability of having more informed public debate on economic policy issues generally. However, the suggestion that any such issue can be left to the determination of some "politically independent" review agency uninfluenced by vested interests seems somewhat disingenuous, especially when it comes from a body such as the TPRC which is itself financed by large multinational companies, whose interest in maintaining freedom of international *exchange is far more obvious* than that of the average citizen.

Equally questionable is their *familiar attempt* to equate the public interest with that of consumers – in the narrow sense of giving priority to supplying the latter with goods from the cheapest available source.

It should hardly be necessary to point out *that* most consumers are also producers of goods or services, and that those who lose their jobs as a result of cheap imports inevitably suffer a reduction in their living standards unless rapidly reabsorbed into employment, and that if this occurs across all sectors of the economy the aggregate effects must be inimical to the public interest – notwithstanding the short-term benefit to the consumer.

To lose sight of this obvious fact is to make the classic error of the free trade lobby in assuming the actual or potential full employment (on a world-wide basis) of productive factors – at a time when this condition was never less likely to be fulfilled.

This is not to argue for narrow, autarkic protectionism, but for recognition that the benefits of international trade can ultimately be secured only through a process of regulation and negotiation, openly conducted, which ensures a degree of equity in their distribution.

Only when this is accepted – and the pretence abandoned that "free trade" is either attainable or desirable – will it be possible to rationalise the present anarchy of the GATT system. *If such* an approach has to be classed as mercantilist, then so be it.

Harry Shutt,
The Grange,
Hillside,
Horsham, West Sussex

Gardens printed in glorious colour

From the Director General, British Printing Industries Federation.

Sir, Robin Lane Fox has a knack for making his gardening columns (Weekend FT) a vehicle for comment on life and society. That, I suppose, is what makes him so enjoyable to read, even for the non-gardener. But wonderful though his ability to communicate that knowledge may be, may I venture to suggest that his comments on the UK printing industry (December 15) betray an absence of understanding verging on total distortion?

It is wrong to conclude that because 19 out of 20 new gardening books are printed abroad, the highest quality of colour and printing is to be found on foreign machines. Presses used by British, German or Hong Kong printers are similar.

The comparative efficiency of some foreign printers of long run colour books results from an economic climate which has favoured large-scale investment and export. UK interest rates are beginning to fall, and as a result we can already see an upsurge of investment in colour book printing machines.

UK book printers are already the best in the world for mono books (as the flood of work returning from overseas demonstrates) and for the highest quality colour work. Having increased productivity by 60 per cent since 1980, the industry is set to recapture much of the *mass production colour market* for gardening, travel and countryside books.

Stanley Bradley,
11 Bedford Row, WC1R 4DX.

Scotch whisky could compete equally

From Mr A.S. Gray.

Sir, To describe the Japanese method of taxing imports of Scotch whisky and other spirits as based on "cultural" factors, as James Bourlet does (Letters, November 27), is certainly another way of portraying protectionism. The things that have been done in the name of culture ...

To most observers the Japanese system of including all Scotch whisky and other spirits imports in the highest tax category (admittedly, along with some Japanese whisky) is blatantly *discriminatory, since most* Japanese whisky and other Japanese spirits are included in Grade 1 and 2 categories which attract significantly lower rates of duty. In the UK, the EC and the US, duty on spirits is taxed on alcoholic content.

In saying that the EC has already seriously damaged the image of Scotch whisky as a prestige item "by insisting that Scotch whisky is basically cheap and that it should have a lower tax and price in Japan," Mr Bourlet has got hold of the wrong end of the stick.

In fact, what the Scotch Whisky Association, the European Commission and GATT are unanimous in saying is that Scotch whisky and other spirits imports should simply be taxed at the same rate as all Japanese spirits. It has nothing to do with cheapness, but simply equality of treatment.

Alan Gray,
Campbell Neill & Co
Stock Exchange House,
7 Nelson Mandela Place,
Glasgow

The honest music critic and a question of technique

From Mr Robert Snaith.

Sir, While your distinguished music critic Dominic Gill no more needs my defence against Sir Isaiah Berlin than Alfred Brendel needs Sir Isaiah's against Mr Gill, I nevertheless feel constrained to observe that it is no part of the work of an honest critic to encourage the creation *and worship of a sacred* cow.

I was not present at the recital in critical dispute but I did read Mr Gill's critique and it struck chords in my remembered experience of Mr Brendel's art. Sir Isaiah himself invokes the comparison *with the late Artur* Schnabel, and it is apt: both artists in their different ways are notable for a profusion of interesting insights and ideas coupled with technical limitations which tend to obstruct their projection.

Notwithstanding Sir Isaiah's disparaging remarks concerning Schnabel's critics, *the fact is that* the overall effect of Schnabel's pre-war recording of Beethoven's "Hammerklavier" sonata, for instance, is, for all the magical and masterly playing in the slow movement, seriously weakened by technical shortcomings in the *outer movements*. And one could say the same of many Schnabel performances.

While Mr Brendel's technical limitations are perhaps less manifest to the casual listener than Schnabel's were, I am sure Mr Brendel himself would be the first to concede that his technical resources are not of the order of those of a Richter or a Gilels, or indeed a Lupu or a Perahia.

A musical interpretation can never be entirely divorced from the technique which makes it possible and a critic is surely not to be pilloried for giving tacit consideration, in forming comparative evaluations of performances, to the seduction of a big, round, luminous sound and unfailing ease and control in execution. These are the hallmarks of a big technique and, for all the ideas and insights which Mr Brendel's has conveyed to us, they are not qualities which one tends to associate automatically with his playing. Sometimes one does feel the lack of them.

Robert Snaith,
11 Regal Lane,
Regents Park, NW1.

FINANCIAL TIMES

Thursday December 31 1987

Fall of dollar slashes Bundesbank profit

BY ANDREW FISHER IN FRANKFURT

THE RAPID slide in the value of the dollar against the D-Mark has wiped about DM6bn ($3.75bn) off the profit which West Germany's Finance Ministry will receive from the Bundesbank next year, making it likely that the Bonn Government will have to bring in a supplementary budget.

The figure represents the amount the central bank will have to write off its dollar reserves – now at a record $50bn after heavy foreign exchange intervention – as a result of the US currency's sharp fall below its previous low of DM1.7275 in 1979. (Yesterday, the dollar was fixed in Frankfurt at DM1.5969.)

The Bundesbank handed over a profit of DM7.3bn to the Finance Ministry this year, down from a record DM12.9bn in 1986. Before the further sharp slide in the US currency in recent weeks, the Government had estimated that it would receive a Bundesbank profit of some DM6bn in 1988. The final profit will be known in the spring.

Because the size of the write-down on its dollar reserves will be offset by interest income, the Bundesbank may still report a small profit. But interest on the Bundesbank's dollar holdings will also be diminished by the drop in the currency, while that on domestic business will be affected by lower interest rates in Germany.

Next year's Federal deficit has been officially estimated at around DM30bn, but this could now exceed DM40bn as a result of the expected lower, or non-existent Bundesbank contribution, and a further DM4bn that Bonn will have to provide to the EC in 1988.

The latest fall in the dollar has come in thin holiday trading, with foreign exchange dealers sceptical of the value of the pre-Christmas Group of Seven statement on the world currency and economic outlook. Yesterday, Count Otto Lambsdorff, parliamentary economic spokesman of the Free Democrats, said it would have been better if there had been no G7 statement at all.

Count Lambsdorff, a former Economics Minister, said he expected the US currency to come under further pressure. The current dollar level compares with DM1.94 at the end of 1986 and DM2.46 at the close of the previous year.

Currencies, Page 19

Ramstein rides the currency roller-coaster

David Marsh on the currency crunch facing a small town in Germany dependent for its economic well-being on a US airbase

THERE is a rueful look about Ramstein, a small town in West Germany which has ridden the roller-coaster of the fluctuating dollar and is now going through its own currency crunch.

Since 1951 this town in south-west Germany, not far from the French border, has watched the largest US air force base in Europe grow up next door.

Since the Ramstein base was built, a heady influx of American citizens, military technology, construction contracts and dollars has brought undreamed-of prosperity to what was formerly an under-developed woodland region.

But as the dollar plunged against the D-Mark the drastic fall in American purchasing power has brought serious problems for the local economy.

"It's misery," says Mr Ivan Chapman, a British car dealer who has run a successful business in Ramstein selling flashy, high-powered European cars to American servicemen since 1972. "Everyone's nervous – we're nervous, the banks are nervous, the customers are nervous."

Sensing further pre-American election turmoil on the currency markets, he says: "We're trying to plod on, to cut costs.....We're hoping to hang in there until we get a new president."

A total of 70,000 Americans – 25,000 military personnel and 45,000 dependants – live in the area, counting the collection of bases around Ramstein and the nearest large town, Kaiserslautern. It is the largest American community outside the US.

A cluster of service industries has grown up to cater for American needs. The B40 main road running from Kaiserslautern westwards towards the Ramstein base looks like a US urban highway, flanked by a garish collection of McDonalds and Kentucky Fried Chicken establishments, car, video, insurance and rental agencies.

But the US community's income is in dollars. And these are now changing hands at local banks at around DM1.52 (compared with the currency market rate of just under DM1.60), against a peak of DM3.3–3.40 three years ago. This adds up to a disastrous squeeze on local spending.

Col Raymond Trusz, one of the two deputy commanders of the Kaiserslautern military community, says: "A number of local businessmen and entrepreneurs have fallen on hard times."

He also points to a sharp reduction in the number of servicemen and their families who can afford to live "on the economy" in locally rented housing.

The dollar's fall and general military budgetary belt-tightening is also leading to job cuts among some of the thousands of local people who carry out civilian support work on the US bases.

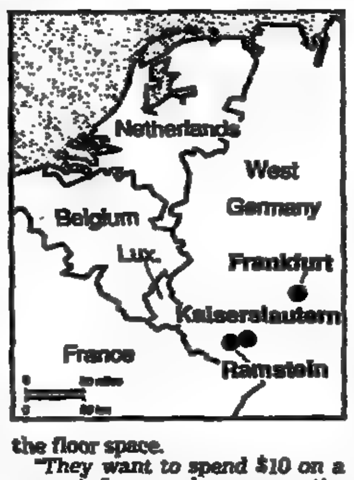
"A lot of civilian jobs are in danger," says Mr Karl-Heinz Klughardt, an official at the Kaiserslautern Chamber of Commerce, who reports complaints from retailers about falling consumer spending.

The Ramstein base, covering 3,000 acres and grouping both US and other Nato air forces, employs just under 16,000 people, including nearly 3,000 German civilians.

Including local salaries, rents and retail spending, as well as contracts placed with companies in the region, the US calculates that the base pumps more than $300m annually into the local economy. But those dollars are worth a lot less than they were a few years ago.

One place to feel the dollar pulse is Harry's Gift Shop in Kaiserslautern, run by the genially enterprising figure of 62-year-old Mr Harry Spittler.

The store, for Americans only, crammed with cuckoo clocks, brightly coloured pottery and lurid paintings of dubious taste, has turned over around DM6.5m in 1987, against DM8m the previous year, Mr Spittler calculates. He has reduced staff from 45 to 30 and is also selling off part of



the floor space.

"They want to spend $10 on a present for grandma or auntie. That used to be worth DM33 – now it's only DM16," says Mr Spittler philosophically.

Car dealers have also felt the pinch. In 1984-85 servicemen were snapping up Audis, Porsches and BMWs at bargain prices.

Now, according to Mr Walter Heilemann, general manager of the large Rittersbacher Volkswagen and Audi dealership in Kaiserslautern, US business is dead. "When the dollar was at DM2.50, we still had positive business. But at DM1.60, it is not possible."

Many military personnel have run into difficulties on monthly hire purchase and insurance payments. At present exchange rates, the two together can add up to $450 a month for some NCOs – or nearly half their monthly income.

Mr Chapman says he has maintained or even boosted some sales at the highest-priced end of the market, for instance of Volvos. But his turnover overall has halved.

Across the road from the Chapman showrooms on the road leading into Ramstein, it is a similar story at the BMW dealership of Mr Uwe Dickmann. He says sales to America have fallen about sixfold compared with four years ago.

Around the corner, at the large and lavishly stocked Abdullah Oriental Carpet Store, one of the Pakistanis in charge says business is very bad. The comment echoes a little superfluously around a store empty of customers.

Mr Horst Geib owns the stylish Rosenhof hotel and restaurant near the air base. It advertises "select dishes and delicacies for an extravagant taste" and US servicemen used to make up 80 per cent of custom, and Germans only 20 per cent – but the ratios have now been inverted and restaurant turnover this year has fallen 30 per cent.

"They used to come in with their families, order an aperitif, a hors d'oeuvre and a dessert," he says. Now the Americans are trading down to his pizza selection, visiting a hamburger bar – or are simply staying on the base.

Mr Geib had 34 staff and has had to lay off seven. For 1988, he is hoping for the best, for the dollar and for his restaurant.

But he remarks, with a touch of the new Ramstein realism: "The forecasts are bad."

Saudi Arabia in $8bn bond issue

BY FINN BARRE IN RIYADH

THE SAUDI Arabian Government plans to raise SR30bn ($8bn) - or 20 per cent of projected revenue - through the sale of Treasury bonds to balance its budget in 1988, King Fahd announced last night in a televised speech.

It will be the first time that the Kingdom – with its deep-rooted religious aversion to the concept of interest – has resorted to borrowing for fiscal reasons.

The King did not say whether the paper would be offered to the International market as well as domestically.

In explaining the need for the moves King Fahd said that the state's revenue had sunk to only one-fifth of its level at the beginning of the decade. The country's financial reserves have declined over the past few years but may still total as much as $70-$90bn, according to informed observers here. Some estimates put them as low as $30bn.

In addition to resorting to the market the Saudi Government will draw down its reserves again but only by a modest SR8bn compared with the SR52.72bn in the 1987 budget.

Expenditure projected for 1988 of SR141.2bn is 16.9 per cent less than last year's total allocation of SR170bn.

The King gave no indication of what proportion of anticipated revenue would come from oil and how much from government fees.

He did say, however, that customs duties would be raised to protect local industries and generate additional income.

Oil revenues for 1987 was originally projected at SR65.195bn. Income from government corporations such as Petromin, Aramco, Telephone, Telegraph, Post, and Customs duties, were expected to total SR52.08bn.

No information has yet been released on the actual financial outturn in 1987.

The Kingdom is said to have came close in its estimates on oil income despite market fluctuations.

The most single important part of the spending programme will inevitably be defence, which consumed 35.74 per cent of the 1987 budget. Manpower development took the next largest chunk of 13.95 per cent.

Subsidies last year amounted to the equivalent of more than US$3bn and may be cut somewhat this year. The Government has succeeded in reducing this amount.

There is speculation here that the support payment of $533 per metric tonne for wheat will be cut by 25 per cent and save the Government $250m. A recent price hike on gasoline is expected to generate another $300m for the Government.

But trimming subsidies and benefits to citizens will remain relatively limited. Students will still get free education and economic support, while medical care will remain free and electric power receive subsidies.

The government payroll is expanding rapidly and is becoming and increasingly heavy burden as the majority of the Kingdom's university graduates continue to take government positions. Because of this, King Fahd announced that the Government will implement a hiring and promotion freeze.

He told his people that the Government had continued to work to increase the standard of living of Saudi Arabians but the change in the oil market and the drawdown of financial reserves required that the Government borrow and that the citizens cooperate in cutting costs.

He warned that because of political instability in the region that military and security spending will remain high.

He said that the Government will implement 51 new projects and contracts worth SR9bn and added that SR51bn will be spent on existing projects and contracts.

NYSE study urges reform in futures

Continued from Page 1

Mr Katzenbach's main recommendation was to bring futures, currently regulated by the Commodity Futures Trading Commission (CFTC), and stocks, regulated by the Securities and Exchange Commission, under control of one Washington agency.

He also proposed the trading of a broad-based stock index on the NYSE, changing the cash settlement of futures to a settlement in securities, and raising capital and margin requirements.

In taking a somewhat traditional view of financial futures, Mr Katzenbach is sure to incur the wrath of those who have devised and use financial futures as an essential part of their investment strategies.

Mr Katzenbach refrained from a detailed study of the precipitous collapse of share prices on October 19 but suggested that the huge trading volumes and claims to liquidity of the futures markets probably encouraged institutional investors to rely on futures as a quick escape from too much equity investment

Fate of Afghan siege town uncertain

BY ROBIN PAULEY, ASIA EDITOR, IN LONDON

CONFUSION reigned last night over the fate of the besieged Afghan garrison town of Khost as the Afghan Government, Moscow and the Afghan rebels all gave conflicting accounts of the outcome of some of the fiercest fighting of the eight-year Soviet occupation.

The official Soviet newsagency, Tass, said the guerrilla seige of Khost was broken on Tuesday and that up to 2,000 Moslem rebels were killed in fighting with Afghan and Soviet troops for control of the town.

An Afghan Government minister claimed the siege had been broken on Sunday. The guerillas, however, insist the siege remains unbroken and said yesterday that the Government relief force was still bogged down at Mirajan Bazaar 70 km (45 miles) from Khost.

Tass claimed last night that the first relief convoy had now arrived in the town and, if this is true, the Soviets are likely to organise a visit by journalists to prove it.

More than 9,000 refugees have crossed the border into Pakistan during the bitter fighting in and around the town. There are now about 3.1m Afghan refugees in Pakistan.

In developments yesterday the US announced that Mr Michael Armacost, Under–Secretary of State, will visit Pakistan this weekend for talks that are likely to include discussion of a Soviet withdrawal from Afghanistan.

It was also confirmed in Hong Kong that the younger brother of President Najibullah of Afghanistan has defected to the guerrilla resistance and is likely to seek asylum in the West.

Dilpomatic and military manoeuvring are reaching new heights in advance of the UN-sponsored peace talks due to resume in Geneva in February. The arguments about the timetable for Soviet withdrawal have narrowed, with Moscow reducing its estimate from four years to 12 months and the Pakistanis moving their demand from four weeks to six months.

A more complicated stumbling block is the nature and composition of any interim Government left behind by withdrawing Soviet forces.

The Soviet and Afghan forces have been anxious to secure a military victory to counter reports of substantial gains by the mujahideen in the mountainous areas.

The situation within the garrison, which has been under siege for eight years, worsened substantially in the last three months as the mujahideen, using US ground-to-air Stinger missiles have been able to halt all deliveries of food by air as well as road. Najibullah, who is currently visiting Kampuchea, said last month that Khost's 40,000 inhabitants faced deprivation and even starvation due to the blockade.

In a separate commentary from Moscow, Tass said a report that an American adviser had been killed in the fighting for Khost marked an escalation of US interference in Afghanistan.

The US State Department has denied that any US advisers were serving in Afghanistan although a substantial number of Americans are known to be in the border area of Pakistan where most of the Western-backed mujahideen groups have their headquarters.

Editorial comment, Page 10

Air traffic forecasts

Continued from Page 1

per cent overall traffic growth" for the coming year.

"The airline industry's prospects for 1988 are volatile. With the dollar's slide and the stock market shocks there are added uncertainties for our industry, as for many others," Mr Eser said.

"Fluctuating exchange rates, which make us cautious in forecasting the outcome for 1988, are a particular worry.

Mr Eser welcomed the recent European Community's air traffic liberalisation package, which was a first step towards the "single market of 1992," and said that in the coming year "there are sure to be some very interesting competitive initiatives in Europe that will benefit the consumer considerably."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	S	15	59	Malta	S	17	63	Rhodes	S	16	61
Algiers	F	12	54	Edinburgh	F	5	41	Manchester	C	8	46	Rio de J'o	S	35	95
Amsterdam	C	8	46	Faro	S	16	61	Manila	C	31	88	Rome	S	11	52
Athens	S	16	61	Florence	C	10	50	Melbourne	S	25	77	Salzburg	C	7	45
Bahrain	S	18	65	Frankfurt	C	10	50	Mexico City	S	25	77	San Francisco	S	4	39
Bangkok	S	33	91	Funchal	F	19	66	Miami	S	21	70	Seoul	C	4	39
Barcelona	S	12	54	Geneva	C	1	34	Milan	Fg	3	37	Singapore	C	27	81
Beirut	-	-	-	Gibraltar	S	15	59	Montreal	S	-21	-6	Stockholm	C	2	36
Belfast	F	9	48	Glasgow	F	7	45	Moscow	F	-7	19	Strasbourg	C	7	45
Belgrade	S	15	59	Guernsey	R	11	52	Munich	R	11	52	Sydney	F	23	73
Berlin	F	11	52	Helsinki	Sn	1	34	Nairobi	F	29	84	Taipei	C	18	64
Biarritz	S	14	57	H. Kong	F	25	77	Naples	C	13	55	Tangier	S	15	59
Bombay	-	—	—	Innsbruck	F	3	37	Nassau	C	26	80	Tel Aviv	F	16	61
Bordeaux	S	10	50	Inverness	S	6	43	New Delhi	S	19	66	Tenerife	F	21	70
Brussels	C	11	52	Islamabad	C	22	72	New York	S	-2	28	Tokyo	S	17	63
Budapest	F	15	59	Istanbul	S	11	52	Nice	C	10	50	Toronto	S	-8	18
B. Aires	C	27	81	Jakarta	C	31	88	Nicosia	S	16	61	Tunis	F	17	63
Cairo	F	19	66	Jersey	D	11	52	Oporto	F	9	48	Valencia	S	12	54
Cape Town	S	23	73	Jo'burg	S	25	77	Oslo	F	2	36	Venice	Fg	5	41
Caracas	C	26	79	Lima	S	25	77	Paris	C	10	50	Vienna	F	14	57
Casablanca	F	18	64	Lisbon	C	10	50	Peking	S	-3	27	Warsaw	C	10	50
Chicago	C	-5	23	London	F	11	52	Prague	F	9	48	Washington	S	-4	21
Cologne	F	12	54	Los Angeles	S	6	43	Reykjavik	R	4	39	Zurich	S	7	45
Copenhagen	F	8	46	Luxembourg	D	7	45								
Corfu	S	17	63	Madrid	Fg	-1	30								
Dallas	S	-2	28	Majorca	F	15	59								
Dublin	R	9	48	Malaga	S	14	57								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Transkei government ousted in coup

Continued from Page 1

recent decision to incorporate a further 500,000 people in the barren homeland of QuaQua have served to undermine this strategy.

Over 12m blacks now live in the four "independent" and six self-governing homelands, out of a total black population of 25m.

According to reports from Umtata, the new government will be run temporarily by a council made up of army officers, former members of Miss Sigcau's cabinet and representatives of the Xhosa tribe for whom the homeland was established.

Pretoria has responded cautiously to the coup.

Mr Gert Terblanche, South Africa's ambassador in Umtata, said he hoped that nothing would happen "to jeopardise the stability of the region."

Many observers here, however, believe that the homelands system is itself potentially destabilising, as it has led to the Balkanisation of the country, with new states often led by corrupt governments which enjoy little support.

Earlier this year Pretoria had to intervene to avert the threat of armed warfare in a dispute between Transkei and Ciskei, a neighbouring black homeland.

Mr Kaiser Mantanzima, who was installed as Transkei's first Prime Minister at "independence" in 1976, allegedly diverted state funds to the development of his large land holding.

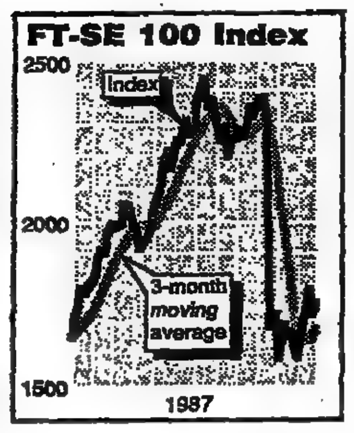
This contributed to his ousting a few years ago by his brother Mr George Mantanzima, who allegedly also misappropriated state funds.

The 2.4m people of Transkei have benefited little from independence

THE LEX COLUMN

Kuwaitis help an old lady

In London the equity market yesterday recouped half of Tuesday's falls, but trading remains very thin. Although sentiment was helped by early firmness on Wall Street this has more to do with the temporary check in the dollar's recent hectic decline, than anything else. The failure of the dollar to bounce back after the recent central bank intervention remains a worry and is perhaps partly explained by the surprising softness in Eurodollar rates.



BP

The Bank of England may be excused from becoming a major investor in Britain's biggest company after all. The rise in the BP old shares yesterday to 257p meant that the new at 70½p were looking fairly valued for a change – a fact that was heeded by not only the trusty Kuwaitis, but also by a couple of other investors who suddenly developed an appetite for the partly paid stock. If – a large if – the market holds up between now and Wednesday there may be little to stop the Kuwaitis increasing their stake from 18 towards 29.9 per cent, and so long as they are prepared to pay a farthing more than 70p, the Bank of England's safety net may not be needed.

BP is watching the advance of the Kuwaitis with increasing dismay. Their concern is not that the KIO will force its way onto the board and interfere with BP's strategic plans, nor that they will launch a full bid, but that they will sell their stake to an investor with less benign ambitions. The problem is being urgently addressed by the sharpest minds at Britannic House and at the Treasury, and the seemingly far fetched notion of Britoil's golden share being used to protect not only Britoil but BP as well via a complex reshuffling of assets appears to be receiving serious attention.

Yet as the small print in the Britoil prospectus barely explained how the golden share would work in the event of that company being taken over, there seems little point in speculating how it could be redesigned. Moreover, as it has not protected Britoil from being bid for, it is hard to see how it could ever act as a sufficiently deadly poison pill to safeguard BP.

Off-balance sheet

The Accounting Standards Committee is currently boxing itself into a corner in its attempts to outlaw off-balance sheet arrangements – artificial deals to keep assets and liabilities out of a company's balance sheet. It decided shortly before Christmas to tackle the whole array of these dubious transactions with one brand new standard. But in its desire to solve the problem in one fell swoop, the committee has swept up an issue that some of its members thought should have been put to one side. This is the use of unconsolidated subsidiaries, or companies which are left out of a group's accounts but which, through option arrangements, special voting rights or whatever, the parent controls. Companies like Burton and S&W Berisford are past masters of this art.

It could tie the accountants up in a prolonged legal battle. Whether to consolidate is a question of law, not accounting practice, say the lawyers. Leading counsel disagree about whether, and when, the requirement for accounts to give a true and fair view overrides the statutory definition of a subsidiary. The consolidation problem is likely to be settled shortly anyway. A companies bill due for the next session of Parliament aims to outlaw unconsolidated subsidiaries - which leaves the accountants with the prospect of an unneccesary, drawn out and (some think) impossible battle. Creative finance directors and nifty financiers will no doubt enjoy the prospect.

Martell

It was a bit dozy of Grand Metropolitan to allow Seagram to steal the Martell family stake from under its nose, but the UK company clearly has little to lose from throwing in a belated counter-bid. The only pitfalls for GrandMet in an acrimonious bid battle are that it will end up paying too much for Martell, or, if it loses, that it will have queered its pitch so badly with Seagram that the joint distribution agreement with Martell in the Far East will be seriously impaired. On an exit multiple of 22 GrandMet still has some way to go before the price becomes prohibitive; for, despite some dilution even at this price, the Far Eastern prize has an immense hidden value to an international drinks business which has no presence in that market.

All now hangs on the legal status of the agreement between the Martell family and Seagram, and the French authorities' attitude both to that agreement and the ultimate ownership of Martell. Seagram might have the lawyers on its side but GrandMet's prospective higher offer must surely have its attractions to the family, particularly with the promise of a little more to come. Moreover the UK company can kick up its own legal stink over the Martell distribution agreement. GrandMet will no doubt try to play the Europe card for all it is worth, but having already let control of one major cognac slip out of the country the French may prefer to block both bids.

NZFP

Even by the colourful standards of the Antipodean corporate sector, the battle for control of New Zealand Forest Products (NZFP), New Zealand's third biggest company, is turning into a cause celebre. NZFP has been eyed by plenty of predators in the past because of its big forest reserves, but previous bids by rival forest product groups were blocked by the authorities on monopoly grounds. In an effort to ensure its independence, a 44 per cent stake in NZFP was sold some time ago to an investment company, Rada Corporation, which borrowed heavily to finance its stake. Unfortunately, Rada has run into financial difficulties following the stock market crash and has been rescued by Australia's Elders IXL, which is now proposing a reverse takeover of NZFP by its smaller associate, Elders Resources. This rather cosy arrangement will dilute the stake of other NZFP shareholders and has quite understandably incensed Fletcher Challenge, New Zealand's biggest company which controls 19.9 per cent of NZPF. Its dream of creating one of the world's biggest forest products groups has been thwarted by the New Zealand Government in the past. The latter now has to decide whether to let NZFP fall into the hands of an Australian predator. Perhaps, the soon to be knighted Mr Ron Brierley will ride to the rescue?

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday December 31 1987

Schneider sells control of telecom side to Bosch

BY GEORGE GRAHAM IN PARIS

JEUMONT-SCHNEIDER, the French industrial equipment manufacturer, has completed negotiations to sell control of its telecommunications operations to Telenorma, a subsidiary of the West German electronics group Robert Bosch.

Bosch will initially take 35 per cent of the telecommunications division of Jeumont-Schneider – wholly owned by the Schneider group of Mr Didier Pineau-Valenciennes – rising to 80 per cent next June.

The sale, like all other transfers of control to a foreign owner, is subject to approval by the French Treasury.

Jeumont-Schneider is the second largest company in the French telecommunications market, behind Alcatel, but has been looking for partnerships since it failed to win the battle for CGCT, the telecommunications company privatised by the French Government last year.

A year ago it shed its railway manufacturing division to Alsthom, controlled by Alcatel's parent CGE, and is now left with only its industrial equipment manufacturing operations.

In the CGCT contest Schneider had teamed up with Siemens of West Germany, but its attention soon swung to Telenorma, with which it already has a two year old joint marketing agreement for its private branch exchanges (PABX).

With sales in the telecommunications sector of around FFr1bn ($185m) in 1987, Jeumont-Schneider claims a 40 per cent share of the French private switching market, but is not felt to have the critical mass necessary to compete in the international telecommunications market.

The French market has been increasingly opened to outsiders over the past year, following the merging of the telecommunications operations of Compagnie Generale d'Electricite and ITT of the US to form Alcatel last year.

Besides the sale of CGCT to a consortium led by Ericsson of Sweden, in partnership with France's Matra, France has tentatively begun the deregulation of telecommunications, including granting a second radio-telephone licence to compete with the state Direction Generale des Telecommunications, and trying to push this powerful bureaucracy more into the marketplace by giving it the brandname France Telecom.

National Medical profits up sharply

By Roderick Oram in New York

NATIONAL Medical Enterprises, the second largest US health care group, has reaped sharply higher earnings in its latest quarter as a result of its switch to special hospitals from general hospitals.

Net profits for the three months ended November 30 rose 51 per cent to $43.8m or 58 cents a share from $29.1m or 38 cents a year earlier. Revenues edged ahead by 8 per cent to $769.6m from $712m.

For the first half, net profits were up 29 per cent to $84m or $1.12 a share from $65.2m or 84 cents a year earlier, on revenues up 8 per cent to $1.52bn from $1.41bn. Profits for the second quarter and first half of last year included losses from discontinued operations of $1.6m and $1.2m respectively.

Mr Richard Eamer, chairman, attributed higher profits to the "outstanding performance" of the group's special hospitals and a lower tax rate.

The improvement was partially offset by lower operating profits from its acute care and long-term care operations and a sharp reduction in gains from sales of hospitals compared with a year earlier.

The group did not specify the gains from disposals.

National Medical Enterprises owns, operates or manages 46 acute care, 50 psychiatric and 19 physical rehabilitation hospitals, 398 long-term care facilities and 13 substance abuse treatment centres in the US and abroad.

In recent years the group has shifted sharply from general to special hospitals. The remaining general hospitals have pushed up their occupancy rates over the past three quarters but operating profits have failed to rise with them.

Manny Hanny gains from share sale

MANUFACTURERS HANOVER, the major US bank holding company, said yesterday it would record an after-tax gain of about $23.5m in its fourth quarter as a result of the sale of 500,000 common shares in its Banco Manufacturers Hanover Portugal unit, **writes Our Financial Staff.**

The shares, listed on the Lisbon stock exchange, were sold at public auction for $43.4m and represent about 20 per cent ownership in the unit.

Manny Hanny said the unit would allow the company greater flexibility in participating in the Portuguese capital markets, including the underwriting of corporate securities.

Slow going for Boeing Toronto acquisition

BY ROBERT GIBBENS IN MONTREAL

BOEING, the US aerospace group, is having problems with De Havilland Aircraft of Canada (DHC), the Toronto short take-off and landing (Stol) aircraft producer it bought from the Federal Government early in 1986 for C$90m (US$69.2m) plus C$65m in instalments.

The government had already absorbed several hundred million dollars of development costs for DHC's Dash-8 commuter aircraft, and Boeing thought it could raise productivity and output quickly to meet a booming Stol market. It was the first privatisation move by Mr Brian Mulroney, the Prime Minister.

But DHC's 5,000 workforce staged an 11-week strike last summer, delaying deliveries. Engineering and quality problems emerged, as did inventory difficulties and parts shortages.

Although 83 twin engined Dash-8 aircraft have been delivered, the company could have sold about 200, said Mr Ronald Woodward, the DHC president appointed last year by Boeing. A commuter market share of 30 per cent could be doubled quickly if DHC could produce the aircraft.

Since the strike ended DHC has taken 25 orders for the Dash-8, or close to the scheduled production for all 1988.

Boeing says DHC should be able to more than double monthly output to seven Dash-8s by mid 1988 and reduce man hours per aircraft from the current 90,000 to 40,000 within the next two years.

It has invested C$30m to improve working conditions, inventory control and machinery, but it says DHC will not make a profit for at least another two years.

DHC is phasing out its four engined Dash-7 commuter aircraft now used mainly in Europe and also the small Twin Otter, because of low demand. The Dash-8 has been stretched from the original 36 seats to 50-56 seats and the company is working on a 70 seat version.

Canada's other airframe maker Canadair was privatised shortly after DHC.

Malaysian company falls deeper into red

MALAYSIAN RESOURCES, a major Malaysian property development company, saw group pre-tax operating losses plunging to Ringgits28.3m (US$11.5m) for the six months to June, against a loss of Ringgits4.1m.

NICK GARNETT reviews changes in the processing machinery sector

Food equipment battle hots up

WHILE THE world's food and drinks industry has seen more mergers and rationalisations in the past few years than any other manufacturing sector, a less well observed reshuffling has been taking place among suppliers of food and beverage processing equipment.

This restructuring – part of the rival machinery makers' battles for market share – has not been anywhere near as fundamental as among the companies they supply.

Nevertheless, the changes have been significant and show no signs of stopping. They partly reflect the increasing tendency of many of the big food and drinks companies to seek turnkey deals with equipment suppliers for entire production plants.

They also indicate the intensity with which machinery suppliers are realigning themselves to defend existing positions or expand into areas traditionally the stronghold of rivals.

This is affecting machinery for a range of food sectors. The biggest changes have centred on APV, a British company with its roots in machinery for liquid foods. During the past 18 months, it has absorbed Baker Perkins, a UK manufacturer of equipment for the confectionary and baking sectors.

It has also bought Pasilac of Denmark, a leading but loss-making European manufacturer of equipment for the dairy and brewing industries and has snapped up four companies in ice cream equipment and packaging.

Apart from these acquisitions, the purchase of an 80 per cent stake in Rosista, a West German valve maker, aims to expand APV's influence among beer makers, especially in the US.

These acquisitions have doubled APV's sales to around £800m ($1.5bn), making it probably the world's largest manufacturer of food and drink making equipment, ahead of Alfa-Laval of Sweden.

Alfa-Laval, which also has its base in liquid and mainly milk-based foods, has been on the acquisition trail as well, although to a more limited extent. Its purchases have added just 20 per cent to its sales in the past 18 months.

An APV automatic in-line poultry chiller

Other purchases include Formax, a leading North American producer of machines for making hamburgers; Cashin, another convenience food equipment maker and Satt, which manufactures controls.

Alfa has been as much engaged in restructuring its existing operations into 10 business units as it has in buying new companies. Unlike APV it has not made a sideways leap into solid foods – the Swedish company does not really compete with APV in baking and confectionery.

But recent changes at both companies have tended to increase the battle between them in other sectors, including cheese-making machinery, snack food and ice cream equipment. The increasing size of APV and Alfa reflects a growing concentration of power in the food and drink processing equipment industry which is also affecting other machinery suppliers.

"There will be further restructuring in the food making equipment industry in the medium term," says Mr Bo Wirsen, managing director for food engineering at Alfa-Laval. "A lot of small and medium companies will find it difficult to compete."

The industry includes a range of middle sized and usually family owned companies, particularly in West Germany and the US. Some of these are finding it hard to find elbow room but others are tough competitors. They include Westphalia, a German manufacturer of centrifugal separators for products including milk, beer and vegetable oil. Mr Fred Smith, APV's chief executive says he would love to acquire Westphalia but has no chance of doing so.

Lanham, a family-owned US business run by Mr Ed Lanham, specialises in baking equipment and supplies McDonald's. Mr Mike Smith, main board director at APV concedes that Lanham has been a thorn in the flesh of the Baker Perkins business.

A number of the smaller companies have been mirroring the moves made by the industry's "big two" by also extending their interests.

For example, Gea-Ahlborn, a German heat exchanger maker has moved into the beer keg racking business with the acquisition of Till. Cherry Burrell, an important US equipment supplier, particularly to the brewing industry, this year acquired Waukesha, an American manufacturer of valves and pumps for the food and drinks iof ndustry.

Ironically, one of the few moves away from this trend of consolidation involved Baker Perkins, now part of the acquisitive APV. Two years ago Baker Perkins sold to Krupp its 20 per cent stake in Werner and Pfleiderer, a competitor in baking and confectionery machinery because it says it could not exercise management control over the German company.

Indications of the pressures on smaller manufacturers are easy to find. The formation of SEN by three West German equipment makers, Seitz, Emsinger and Noll was seen by the rest of the industry partly as a defensive reaction to a crowded market.

The competitive nature of the industry has been exacerbated by the growth of what were quite small manufacturers. A number of Italian companies are becoming increasingly aggressive. These include Orlandi, a Milan-based family business making equipment for confectionery and bread production which is extending its influence outside Italy.

Western producers count themselves fortunate that the Japanese are not serious international competitors. Many Japanese food companies design and build their own equipment, although specialist machinery makers like Shino earn little from exports. However, the Japanese are spending a lot of money on membrane technology – which allows greater productivity from milk processing.

Alfa-Laval and APV both have membrane technology but APV claims Alfa has been failing to keep pace. Mr Wirsen denies this but concedes that Alfa has narrowed its research focus in this field.

Competition between the big two companies is increasing. Mr Fred Smith says the purchase of the four ice cream equipment and packaging companies, Vitaline, Douglas, Glacier and Promco has increased APV's strength in ice cream and novelty ice equipment to such an extent that Alfa-Laval is in a corner.

"They have had it now in ice cream. We have knocked them over," says Mr Smith. Alfa denies this strenuously, and says it is still larger than APV in this sector.

The trend towards turnkey contracts where equipment suppliers might be expected to provide electronic controls and production machinery for a whole factory system is encouraging a new type of competitor.

Turnkey consultants, sometimes with a manufacturing arm, have been in the industry for a long time but some are following the path set by equipment suppliers and merging to create what they believe will be a more effective force.

Investment

Some coins more equal than others

LONDON, 15. October. The multitude of coins available today places many a novice in a quandary. They are offered in all sizes and designs, and at all price levels through ads in the dailys or at banks or coin dealers.

Caveat emptor. Not all that glitters is a coin. Basically, there are five different types.

1. Bullion Investment Coins. Gold bullion investment coins are sold solely for the intrinsic value of the precious metal. They are produced in large numbers by major gold producing countries, such as Canada, Australia and U.S., thus are traded at a small premium over the actual price of the metal. As they are a pure investment vehicle, like gold bars, they have no numismatic value. They are favored over gold bars by investors as a store value, as they are more transportable and easier to trade. The value is easy to keep track of, as their price is based upon the daily fixing of gold.

2. Numismatic Coins. In general, these are coins which are bought by collectors for their beauty, as opposed to the value of their precious metal content. However, a truer definition would include those coins struck prior to 1804. The price has no relation whatsoever to the actual value of the metal. The factors determining the price of a coin are rarity, age, and condition or quality of the striking.

3. Semi-numismatic Coins. These are coins that were struck after 1804, however prior to 1850. The same criteria as those used with numismatic coins are used in determining their value. The buying and selling of one of these coins is, however, easier since they are available in greater quantities than those struck prior to 1804.

4. Current Coins. Current coins are those struck after 1850 and were in circulation during the time of the gold standard. There are still large quantities of these coins available today. The price is related to their gold content plus a fairly high agio.

The collecting of numismatic and semi-numismatic coins can also be considered a form of investing, however usually it is merely a rather expensive hobby. Current coins fall into a category between hobby and investment, since they also maintain ... value, even if the price of precic... should fall.

5. Medallions. ... also collectables, but ... dered an investme... ssued at some s... an anniversa... e in value is ... ced and to ... urally ... lays a r... of ... r

Is ... in...

NEWYORK ... blems in the ... United States ... ing the expert ... health of the ... question if this ... or are more ... closing, resulting ... all their customer... point to similarities to ... to the crash of '29, just ... have arguments to point o... different. This adds to the co... uncertainty that ... around for a safe h... before it is lost to t... failure.

All paper instru... or securities, are su... tions caused by in... control of fina... government bodies. M... out that precious meta... gold, offer the ideal store of va... value is intrinsic and not a... that of paper money.

Gold is international ... to the fortunes of any ... banking system. It can brin... sense of security, as it is ... surance policy a... would come in a b.

... ding ... statis- ... households ... the assets. This ... on in the late 20's. ... ely led to the cur- ... ere the middle and ... ety are over-extended ... borrow. The result is ... k placed upon the ... Parallel to this is ... t in speculation ... few, forcing the ... limits daily. The ... w long can the ... out before it ... is subject is ... he forefront ... d financial

Gold Maple Leaf makes a breakthrough

World's gold coin standard / Grows in popularity / Even attractive for small investor.

OTTAWA, 15. October. Gold, prized as a store of wealth over the ages, has not lost its shine even in the age of high technology and cashless transactions. This has been felt recently by the Royal Canadian Mint. According to a spokesman for the Mint, demand for the Gold Maple Leaf, the Canadian gold bullion coin which is struck in four sizes, has recently been brisk. Observers of the financial world contribute this to various factors. The primary reason is felt to be its universal recognition which ensures ease of trading wherever gold is sold around the world. Of almost equal importance is its unusual purity of .9999 or 24-carat. Most other gold coins rarely exceed .916 or 22-carat, the purity of the South African Krugerrand (which is no longer being produced).

A further aspect is that the Gold Maple Leaf is legal tender in a country known for political stability and for being a dependable trading partner. Since the coin is easily convertable currency, it is sold in most countries free of a value added tax. This is true in Luxembourg, Switzerland and Austria, while a minimal tax is charged in Belgium (1%) and Holland (4%).

Since the Gold Maple Leaf is struck in ...ur sizes, it is able to satisfy the varying ... ment needs of all investors. It is ... one full troy ounce of pure ... 1/2, 1/4 and 1/10 ounce of ... es the coin attractive

... the benefits of owning gold. The Gold Maple Leaf, which has been available since 1979, is produced only from gold mined in Canada.

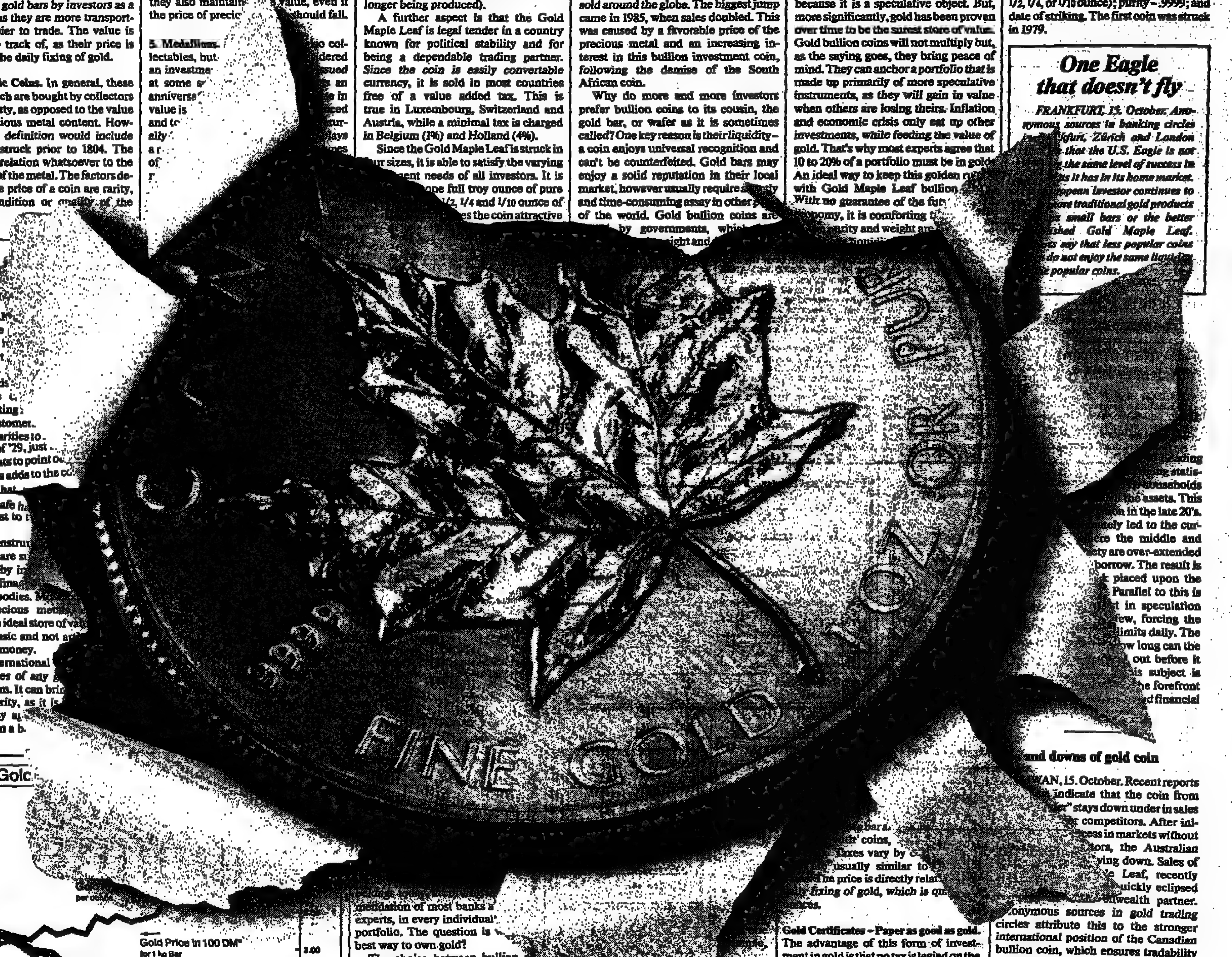
This accounts for its unusual yellow color compared to coins mixed with alloys. The use of Canadian gold is a requirement of the charter of the Royal Canadian Mint and it serves to support the Canadian mining industry. Gold was first discovered in Canada in 1858 and has been continually mined ever since. Canada is currently the third largest producer of gold in the world.

This objective is clearly being fulfilled, as indicated by sales results of the Canadian coin. Since its introduction in 1979, over 10 million Gold Maple Leaf coins – that's over 300 tons! – have been sold around the globe. The biggest jump came in 1985, when sales doubled. This was caused by a favorable price of the precious metal and an increasing interest in this bullion investment coin, following the demise of the South African coin.

Why do more and more investors prefer bullion coins to its cousin, the gold bar, or wafer as it is sometimes called? One key reason is their liquidity – a coin enjoys universal recognition and can't be counterfeited. Gold bars may enjoy a solid reputation in their local market, however usually require a ... and time-consuming assay in other p... of the world. Gold bullion coins are ... by governments, whi... ight and ...

... respect, the Royal Canadian Mint is especially strict. Although the purity of each Gold Maple Leaf is given as .9999, it is actually closer to .99995. The weight on each coin is strictly controlled, with the weight struck on the coin being a minimum guaranteed by the Government of Canada. Independent tests have even shown that the coins are all above the minimum, showing that the Royal Canadian Mint gives a little gold away to ensure they meet the guarantee. No other coin has yet to show similar results.

It is fair to point out that a gold coin, and a bar for that matter, provides the owner with no interest. However, it can be still considered an investment instrument, but for other reasons. This is because it is a speculative object. But, more significantly, gold has been proven over time to be the surest store of value. Gold bullion coins will not multiply but, as the saying goes, they bring peace of mind. They can anchor a portfolio that is made up primarily of more speculative instruments, as they will gain in value when others are losing theirs. Inflation and economic crisis only eat up other investments, while feeding the value of gold. That's why most experts agree that 10 to 20% of a portfolio must be in gold ... An ideal way to keep this golden ru... with Gold Maple Leaf bullion ... With no guarantee of the fut... ...onomy, it is comforting t... ...urity and weight are ... liquidi...



... mendation of most banks a... experts, in every individual ... portfolio. The question is ... best way to own gold?

The choice between bullion co... bars, certificates or a precious meta... account depends upon the wants and needs of the individual investor. In addition, such aspects to consider are the availability of gold, the possibilities for resale and also personal taste of the ultimate owner.

Weight and Purity. Traditionally, the gold trade has dealt in troy ounces – one troy ounce equals 31.1035 grams. Today, however, the metric weight system is also accepted and used, thus gold is available in grams, kilos and tons.

Of particular importance is the purity or fineness of the gold. With small bars, or wafers as they are sometimes called, and the leading bullion coins, such as the Gold Maple Leaf, a purity of .9999 is normal. This means that the given piece contains no more than one ten thousandth of foreign matter. However, it really means that a greater purity is not possible nor really necessary.

Coins – solid and liquid. One differentiates, more or less, between numismatic coins and newly minted coins, or the so-called bullion investment coins. Nu-

... ent coins ... 1 ounce, ... ce – so that inv... gold to meet their n... eans or needs.

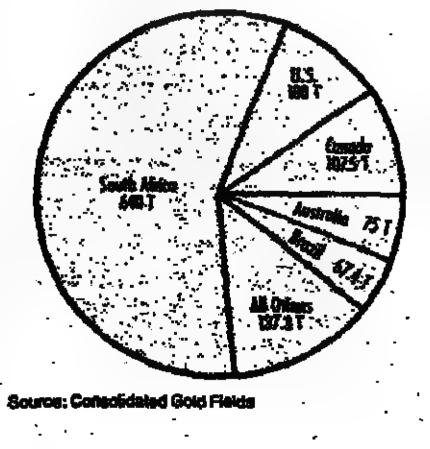
Most bullion coins enjoy international recognition and cannot be counterfeited. They can be exchanged for cash on demand most anywhere in the world where gold is traded. This contrasts to gold bars, which have been known to be counterfeited, thus usually require an assay to determine their purity. This is not only costly for the seller, but also takes time and requires formalities. The price of the leading coins can be found in the financial pages of most major newspapers. Or it can be determined from the daily fixing of gold. Many countries impose a sales tax on gold coins, as well as bars.

Bars-Familiar but not universally recognized. The majority of bars sold today range from 1 gram up to 12.5 kilograms. The small bars are produced at a purity of .9999 fine gold. The trade accepts only bars from a reputable refinery which have a serial number. When there is

... bars. ... r coins, ... taxes vary by c... usually similar to ... he price is directly rela... ...ily fixing of gold, which is qu... ...ces.

Gold Certificates – Paper as good as gold. The advantage of this form of investment in gold is that no tax is levied on the ownership of gold. The precious metal remains in the possession of a bank, which usually maintains this in a no-tax area. The disadvantage is that there is usually a minimum purchase amount, that varies from bank to bank – for example 10 Gold Maple Leafs or 500 gram bars – which makes this form unattractive for small investors. Another factor is that one doesn't have possession of the gold, which reduces some of the psychological benefit of owning gold.

1986 Non-Communist Gold Production



Source: Consolidated Gold Fields

Investment can also be beautiful

FRANKFURT, 15. October. The Royal Canadian Mint created not only a major bullion investment coin, but also a coin recognized and appreciated around the world for its beauty. Although this is not the main criteria in choosing an investment instrument, many find added value in the quality of the design and striking.

As with all Canadian currency, the front depicts the effigy of Queen Elizabeth II, reflecting the historical relationship with England. The reverse side shows the symbol of Canada, a maple leaf, which has been captured to perfection by the engraver.

Prominently displayed are also the key facts about the coin, such as its origin; value (either $50 Cdn, $25 Cdn, $10 Cdn or $5 Cdn); weight (either 1, 1/2, 1/4, or 1/10 ounce); purity – .9999; and date of striking. The first coin was struck in 1979.

One Eagle that doesn't fly

FRANKFURT, 15. October. Anonymous sources in banking circles in ...kfurt, Zürich and London ... that the U.S. Eagle is not ... the same level of success in ... as it has in its home market. ...opean investor continues to ... more traditional gold products ... small bars or the better ...shed Gold Maple Leaf. ...ts say that less popular coins ... do not enjoy the same liquidity ... e popular coins.

... and downs of gold coin

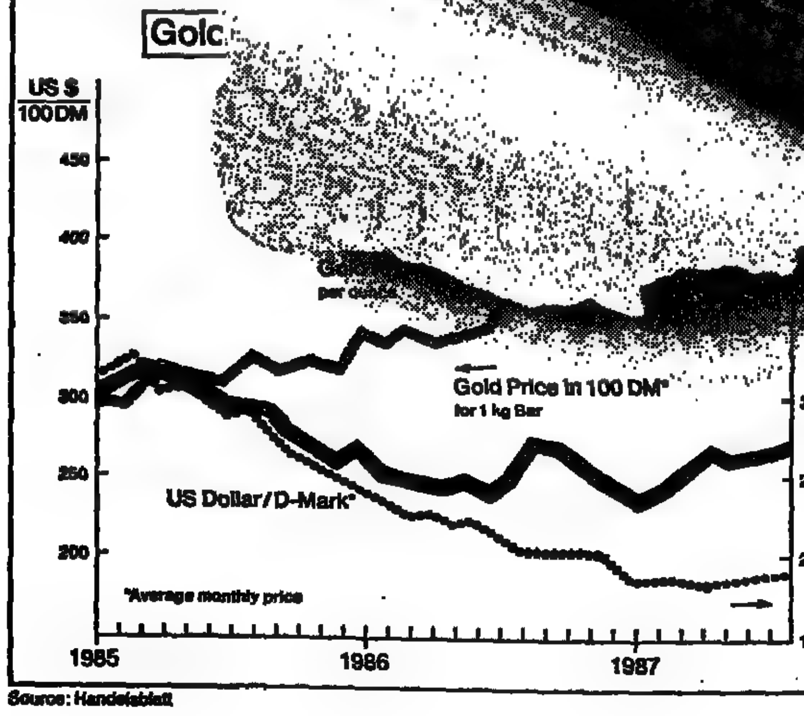
...WAN, 15. October. Recent reports ... indicate that the coin from ...er" stays down under in sales ... competitors. After ini... ...cess in markets without ...tors, the Australian ...ying down. Sales of ...e Leaf, recently ...uickly eclipsed ...wealth partner. ...onymous sources in gold trading circles attribute this to the stronger international position of the Canadian bullion coin, which ensures tradability and liquidity.

Gold production up.

OTTAWA, 15. October. With a yearly production of over 100 tons (107 tons in 1986), Canada is third largest producer of gold in the non-communist world.

The first discovery was made in 1858 at Cariboo, British Columbia. Today, forty-one mines produce the majority of this precious yellow metal. However, prospectors still roam the backwoods, searching for the hidden lode and dreamed-of riches.

The greatest amount of gold is mined in Ontario. Recent discoveries in the region around Hemlo made headlines around the world and boosted share prices. The main reason for the jump was the revised estimate of the gold reserve in this area: before the discovery reserves were felt to be around 130,000 ounces – today they are known to be closer to 17 million fine ounces of pure Canadian gold. Enough to keep the Royal Canadian Mint busy striking Gold Maple coins to meet the needs of investors around the world.



Source: Handelsblatt

Cavelti "Time-proven investment"

Since the price of gold was freed in 1970 to move with market forces, it has risen to new heights, and fallen just as often.

Precious metal and finance experts continually try to analyze the price development. But, the gold metal remains unpredictable. Rising or falling dollar exchange rates, wars, and financial crises are no longer a guarantee for a rise in the price of gold.

The peak in the price of gold was reached at $850 for one ounce in 1980. Currently, the price ranges between $400 and $500. In spite of this, investment advisors recommend to follow the golden rule – hold ten to fifteen percent of an investment portfolio in gold.

The reason is simple, explains Peter C. Cavelti, President and Chief Executive Officer of Cavelti Capital Management Ltd. in Toront, Canada, and an internationally recognized expert on precious metals: "Gold is an unbeatable investment vehicle that protects prosperity at all times, even during crisis." Cavelti has banking experience in U.S., Africa and Asia and belongs today to the most sought-after precious metal advisors.

INTERNATIONAL CAPITAL MARKETS & COMPANIES

Leslie Colitt on the aims of a well-known figure in carmaking

Realising a sporting dream in luxury motoring

LAUNCHING A new car marque these days is no small feat, but producing a specialist sports car in West Berlin is remarkable.

The man who is doing it, Mr Walter Treser, is one of the best-known figures in German motoring. He gained renown as the co-creator of the much-acclaimed Audi Quatro and now, at 47, is realising a lifelong dream to produce his own sports car.

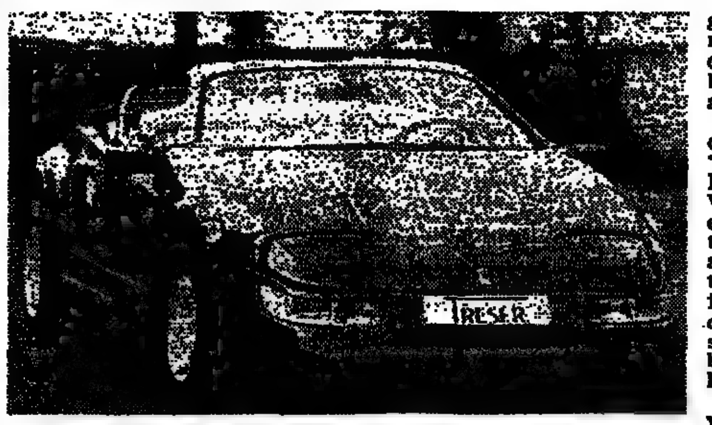
Unlike the disastrous De Lorean, produced in Northern Ireland, Mr Treser's company appears to be financially solid. About DM30m ($18.9m) has been invested in the car and a factory by the city of West Berlin, a venture capital company and by Mr Treser himself.

Volkswagen has endorsed the car, as nearly all the mechanical parts are made by VW-Audi, and the car is to be sold by selected VW dealers in West Germany and abroad. Although the mechanics are VW, visible components were specially designed by Mr Treser. The fact that the car could be serviced by VW dealers is seen as a strong selling point. Innovative features, though, are a patented retractable hard-top roof and new chassis construction of bonded aluminium and plastic elements.

For a man who is about to begin production of a new car, Mr Treser seems remarkably relaxed. Few details, however, escape him, as he strolls through the building he discovered two years ago in a West Berlin suburb. Built by a machine tool company in the 1930s, the Bauhaus-style factory has now been completely modernised. The original architectural features have been retained, however, in order to qualify for city restoration funds.

Why choose West Berlin, though, 180km inside East Germany, as a manufacturing site? Why not southern Germany, where much of the West German motor industry is located? Mr Treser already has an automobile technology and design firm in Ingolstadt, Bavaria, which he set up with only DM25,000 of his own money six years ago, after leaving Audi. It turned out to be a clever move as the company, Walter Treser GmbH, achieved DM10m turnover last year.

"I didn't earn much, but we make enough to cover investments," he says. His Ingolstadt firm specialises in customised Audi cars and also does development work for other car companies.



Walter Treser's ideal car: it may not be beautiful, but it's full of character

Mr Treser says he studied other possible factory sites – in the Ruhr, Bremen and Austria – but came down in favour of West Berlin to produce the sports car. For one thing, the city offers investment incentives which are hard to beat in West Germany. This is to compensate for its off-centre location. In addition, Berlin-based manufacturers get a rebate on VAT of between 3 and 10 per cent on goods sent to West Germany, depending on the value added to the product. The West German buyer gets a 4.2 per cent rebate.

Corporate income taxes in Berlin are 22.5 per cent lower and personal income taxes 30 per cent below those in West Germany. In Mr Treser's case, and that of many other companies attracted to West Berlin, the city grants low-cost leases for factories.

The technical university in West Berlin, West Germany's largest, was another reason for moving to the city, he says. The car's unique aluminium-plastic bonding process was developed at the university.

The first batch of 30 sports cars for testing purposes and "feedback" will be produced next February and March and sent to West Germany. They will be entered in rallies sponsored by the prestigious ADAC German automobile club which is expected to give the car a promotional fillip. By early autumn, six cars a day are to be produced, which should spell profits, as the break-even point has been calculated at 3.4 cars daily.

Mr Treser says he has found a way to produce a small number of cars economically, and suggests his methods could be used by large carmakers looking into ways of producing special models in small numbers.

In a bid to capitalise on his Berlin location, Mr Treser will offer West German buyers of the car an alternative to paying dealers DM600 for delivery. For the same price, the buyer will be flown to West Berlin, where he gets an overnight stay in a hotel and a chat the next day with the head of the factory group

In developing the sports car, Mr Treser untypically chose to install a four-cylinder VW Golf engine, developing a modest 130 hp. Fittingly, the advertising says: "Take your foot off the accelerator, lower the roof and let in the fresh air." He admits this flies in the face of the mania for horsepower and speed among sports car manufacturers. German motor journalists were quick to criticise the Treser for being underpowered. He replies by noting that 130 hp is enough and that the time has come to "enjoy driving" again. Admittedly, though, he can afford to play down speed and power while the major European and Japanese carmakers cannot.

At DM65,000, the Treser in its basic version will be priced to compete with the cheapest Porsche, although Mr Treser argues that it will have the advantage of exclusivity. Driving a cheap Porsche, he notes, stigmatises the owner as someone who could not afford the real thing.

The Treser's appearance, he admits, may not be to everyone's liking.

"Many people will say it is not beautiful," he notes, adding that "neither is Jean-Paul Belmondo, but he has character."

Suez sells offshoot to Italian banker

BY GEORGE GRAHAM IN PARIS

SUEZ, THE recently privatised French banking and investment group, has agreed to sell control of its subsidiary Banque Vernes to San Paolo di Torino, the Italian merchant bank, and AGF, the French insurance group.

The sale tidies up a loose end for Suez, which was given control of Banque Vernes when both were nationalised under the last French Socialist government. It restored the bank to financial health, but Vernes always overlapped with Suez's main banking operation, Banque Indosuez.

Suez had wanted to sell outright control of Vernes to San Paolo, which is one of its larger shareholders and with which it plans other joint ventures in the leasing and aerospace financing fields.

A face-saving solution had to be devised, however, because Mr Edouard Balladur, the French finance minister, was unwilling to see Vernes sold to a foreign buyer so soon after Suez's privatisation.

San Paolo will initially acquire 49 per cent of Vernes, with 11 per cent going to Banque Generale du Phenix, the banking subsidiary of AGF – itself due to be privatised early in the new year had the world stock market crash not intervened.

The Suez group will retain 40 per cent – 4 per cent held by the parent Compagnie Financiere, 36 per cent by Banque Indosuez – with a view to eventually ceding total control to San Paolo in 1988 or 1989.

San Paolo is understood to have chosen AGF as its French partner for the purchase because it has other projects for co-operation with the company, second largest of the state-owned insurance groups.

No formal announcement has yet been made by Suez, since Mr Gilbert Lasfargues, Vernes's chairman, is beyond the reach of a telephone on a hunting trip in Africa.

No price has been revealed, but the sale should result in a small capital gain. Vernes's book value in Suez's accounts is FFr380m ($70.6m).

Vernes made net profits of FFr10.2m, after FFr2m profit in 1985 and a loss of FFr370m in 1984. Results for the first half of 1987 were close to breakeven.

Enel launches SFr200m issue

BY CLARE PEARSON

ENTE NAZIONALE per L'Energia Elettrica (Enel), the Italian state electricity organisation, yesterday launched a SFr200m bond and so became the last foreign borrower of the year in the Swiss bond market.

Official markets in both Switzerland and West Germany are closed today.

Enel's issue, which is in two tranches of equal size, was led by S.G. Warburg Soditic and was mainly aimed at institutional investors and central banks. It is guaranteed by Italy to gain a triple-A credit rating.

The five-year tranche was priced at par with a 4¼ per cent coupon, while the seven-year 4½ per cent portion was priced at 100¼. Both tranches are callable after three years at 101: the premium on the five-year tranche then declines by ½ per cent each year and that on the seven-year tranche by ¼ per cent.

Dealers said these terms anticipated falls in Swiss interest rates

INTERNATIONAL BONDS

in the new year. But the bond was expected to meet a favourable response from investors.

Prices of seasoned Swiss franc foreign bonds closed mixed but with a firm undertone. A SFr80m five-year 4⅛ per cent bond for **Nippon Suisan Kaisha** ended its third day's trading ½ percentage point higher, at 100¾, compared with a par issue price.

During European trading time, US Treasury bond prices moved slightly higher, supported by intervention to stabilise the dollar from both central banks in Europe and the US Federal Reserve. British government bonds closed lower, prevented by the sharply higher UK equity market from rising in sympathy with Treasuries.

Bonds in the D-Mark domestic and Euro sectors were steady in very light trading. A DM5bn 6¼ per cent 10-year bond by the Federal Government, launched on Tuesday, traded at less ¼ bid, unchanged on the day. Where changed, Eurobond prices closed up to 10 basis points higher.

Second NZ broker hit by crash

By Dai Hayward in Wellington

A SECOND New Zealand stockbroking firm has ceased trading and been declared in default in the wake of liquidity problems caused by the stock market collapse.

Buttle, an Auckland broker, was yesterday suspended from trading by the Auckland stock exchange after it said it could not meet its obligations. Buttle has no connection to the larger New Zealand stockbroker and investment banker, Buttle Wilson.

Mr Richard Flower, chairman of the exchange, said Buttle had liquidity problems, and was discussing financial alternatives with other parties. The company would not be permitted to trade until further capital was introduced.

On Christmas Eve, Paine Belcher, another well-known Auckland stockbroker, was also suspended. It was declared a defaulter after "a large and substantial client had failed to complete a purchase, leaving Paine Belcher unable to meet its obligations."

The receivers have been called in and a rescue package is being looked at. Part of Paine Belcher's problem can be attributed to an aborted deal by Anzon Investments for the Beta Corporation, for which Paine Belcher was acting. The deal is now being investigated by an accountant appointed to unravel the complications.

Since Christmas Eve, 14 other companies have been placed in receivership, including investment and finance companies. They had a wide range of interests, including share trading activities, property investments, an indoor cricket centre and a small provincial stockbroking firm.

Several other companies, including Crown Corporation, have announced considerable losses as a result of share trading or a drop in the value of their holdings in companies affected by the crash. The New Zealand share market finished the year in a sluggish mood, with the index sliding to 1945.

Judge rules in favour of higher Alleghany stake

BY NICK BUNKER

A MINNESOTA judge has recommended that New York-based Alleghany Corporation should be allowed to raise its stake in St Paul Companies, the US property/casualty insurance group to 20 per cent.

St Paul – which three weeks ago made an agreed bid for Minet Holdings, the London insurance broker – is fighting Alleghany's plan to increase its shareholding from its present 8.4 per cent.

In documents filed with the Minnesota Department of Commerce in Minneapolis, St Paul has accused Alleghany of having a "secret, cynical plan" to make a hostile takeover bid and then sell off three of the group's businesses, including its insurance broking interests.

Details of the plan were revealed in internal Alleghany documents obtained by St Paul during discovery proceedings.

St Paul confirmed last night however that Judge George Beck in Minneapolis has nevertheless advised the state's Commerce Commissioner that Alleghany should be free to raise its stake, after accepting as evidence a letter from Mr Frank Kirby, Alleghany's chairman, indicating that the takeover plan was no longer under consideration.

However, the judge has also recommended that Alleghany would have to seek fresh approval from the Commissioner if at any time it wanted to increase its holding beyond the 20 per cent level.

The Commissioner has given St Paul and Alleghany until January 4 to file further submissions on the matter. He is due to make a final ruling between January 6 and January 11.

St Paul has lodged protests against Alleghany's plans to buy more St Paul shares with insurance and commerce regulators in at least seven other states, but no other dates for hearings have been fixed.

ENI sees steady profits despite tough conditions

BY JOHN WYLES IN ROME

ENI, THE large Italian state-owned energy corporation, should achieve broadly similar profits in 1987 to the L510bn ($128m) in 1986, Mr Franco Reviglio, ENI president, forecast yesterday.

Speaking after the announcement of a new industrial development project for Basilicata – the first of its kind under new legislation for the Mezzogiorno – Mr Reviglio said that performance had been satisfactory in view of difficult conditions created by lower oil prices and the falling dollar.

He stressed that ENI had maintained its investment programme worth L6,000bn despite reduced cash flow. ENI had been the only oil company in the world which had not cut investments this year, which were second, in absolute terms, only to those of Esso, the US corporation.

ENI was supplying 27 per cent of Italy's petroleum requirements from its own resources, which amounted to 19m tonnes of crude oil and 15bn cubic metres of gas.

He repeated his readiness to consider entering Enichem, the chemicals subsidiary, into some sort of joint venture with Montedison's basic chemical operations, but stressed that ENI would not accept a subordinate role. Negotiations with Montedison had foundered on the issue of management control.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	93⅞	94	0	+0⅛	9.38
All Nippon Air 9⅝ 97	100	94	94⅝	+1⅛	+1⅛	10.35
American Brands 6⅞ 92	150	97⅞	98⅛	+0⅛	+0⅛	9.44
A/S Eksportfinans 7⅝ 93	100	92⅛	92½	+0⅛	+0⅛	9.38
A/S Eksportfinans 7⅞ 92	150	95⅞	95⅞	+0⅛	+0⅛	9.27
Barc. Bk. Fin. 10⅛ 89	200	†102⅞	103⅛	0	+0⅛	8.45
Belgium 9⅝ 92	400	99⅝	100⅛	+0⅛	+0⅛	9.10
British Telecom 7⅝ 96	250	88⅛	88⅞	0	+0⅛	9.97
British Telecom 8⅞ 94	150	97⅞	97⅞	0	+0⅛	9.41
Canada 9 96	1000	97⅞	97⅞	+0⅛	+0⅛	9.47
Canadian Pac 10⅛ 95	100	†103	104	0	0	9.46
C.C.C.E 7⅛ 91	111	95⅞	95½	+0⅛	+0⅛	8.62
C.N.C.A 7⅛ 92	150	93⅞	93⅞	−0⅛	−0⅛	9.29
Coca-Cola Ent. 8⅛ 90	100	100⅛	100⅛	+0⅛	+0⅛	7.99
Credit Lyonnais 9 91	200	99⅞	100⅛	−0⅛	0	8.93
Credit National 7⅞ 92	100	93⅞	94⅛	0	0	9.06
Credit National 7⅛ 91	150	94⅛	94⅞	0	0	9.00
Denmark 7⅞ 92	300	92⅞	93	+0½	+0⅛	9.29
Denmark 8⅛ 91	300	98⅞	99⅛	−0⅛	+1⅛	8.52
E.E.C 7 91	100	93⅞	94⅛	0	−0⅛	8.91
E.E.C. 7⅛ 93	250	91⅞	92⅛	0	−0⅛	9.25
E.E.C 8⅛ 96	100	91⅞	93⅛	0	+0⅛	9.78
E.I.B. 7⅝ 93	100	92⅞	93⅞	0	0	9.35
E.I.B. 9⅝ 97	150	97⅞	97⅞	0	+0⅛	9.79
Finland 7⅞ 97	200	87⅞	88⅛	0	+0⅛	9.96
Finland 7½ 93	200	91⅞	92⅞	+0⅛	+0½	9.33
Ford Motor Cred 11⅛ 90	100	105⅞	105⅞	0	−0⅛	8.42
Gen Elec Credit 10⅛ 00	200	†104⅞	104⅞	0	0	9.58
G.M.A.C. 8 89	250	99	99⅞	0	+0⅛	8.54
G.M.A.C. 8⅛ 89	200	100⅛	100⅛	0	0	7.83
Hoesch 8⅛ 97	100	†90⅞	91	0	+1⅛	9.80
Hoesch 7⅞ 92	100	†96	96⅛	0	+0⅛	8.65
[illegible]						

YEN STRAIGHTS; OTHER STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS: [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Asics 5 92 DM	12/83	438.6	139⅛	140⅞	0	0.21
CBS. Inc. 5 02	4/87	200.	88⅞	89⅞	−0⅛	13.88
Fuji Hvy Inds 3 00	8/85	676.	149	150⅞	0	5.58
Fujitsu 3 99	5/84	1106.	189⅞	191½	0	2.89
Gunma Bank 2⅞ 02	4/87	808.	133⅞	134⅞	0	−0.78
MCA Inc 5½ 02 US	†9/87	69.62	73	74	0	48.33
Nikon Camera 2⅛ 94DM	2/86	1004.	87⅛	88⅞	0	53.91
Mitsui Trust 2⅛ 01	10/86	1903.	119⅞	121⅞	0	0.36
Next PLC 5⅞ 03 £	†11/87	4.3	103	105	0	53.15
Nippon Elec 2⅞ 00	1/85	1295.	298⅞	299⅞	0	3.69
Oki Elec Ind 3⅞ 99	†10/84	805.	159	161	0	−1.77
Osaka Toyota 2⅞ 02	4/87	1310.	177	178⅞	0	−1.66
Redland 7⅛ 02 £	†1/87	5.4	92	94	0	24.00
Texas Inst. 2⅞ 02 US	†9/87	82.87	82⅛	83⅞	−0½	24.40
W.R. Grace 6⅛ 02 US	9/87	42.12	74	75	−0⅛	32.14

* No information available—previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Landis & Gyr holds payout

By John Wicks in Zurich

LANDIS & GYR, the Swiss electrical engineering company, is to pay an unchanged dividend of 10 per cent for 1987, following a 1 per cent rise in earnings to SFr66.8m ($51.7m).

At the same time, the company will carry out its traditional rights issue at an unchanged ratio of 1:18 at par. Payment for unused rights will be based on the share price at the January annual meeting.

Earlier this month, Mr Stephan Schmidheiny, the Swiss industrialist, acquired a controlling stake in Landis & Gyr and assumed "entrepreneurial responsibility" for the company.

UK COMPANY NEWS

Kuwaiti stake in British Petroleum now over 18%

BY RICHARD TOMKINS

The KUWAITI Government embarked on further heavy buying of **British Petroleum** shares yesterday, taking its stake from Tuesday's 17.4 per cent to 18.03 per cent by last night's close.

The Kuwait Investment Office, the London investment arm of the Kuwaiti Ministry of Finance, bought 35m partly-paid BP shares in the London market at an average price of 71.16p each.

Its buying price represents a *narrow premium over the 70p* a share being offered by the Bank of England under its scheme to support the partly-paid price in the wake of October's ill-starred share offering.

Kuwait now holds 1.075bn BP shares, mostly in the form of the partly-paid stock. This means it has nearly half the 2.194bn *shares* issued in the October offer.

*The Bank of England's under*taking to buy in unwanted partly-paid stock expires at 3pm next Wednesday. So far the take-up of its offer has represented only a tiny fraction of the shares in circulation.

The KIO has still given no indication of the level to which it intends to take its stake. Analysts expect it to continue mopping up the partly-paid stock in the last *few* days *before* the offer closes, but to stop when the availability of shares diminishes after the close of the Bank's offer.

See Lex

Birmid urges holders not to 'bovver' with Blue Circle bid

BY CLAY HARRIS

Birmid Qualcast, the lawnmower, cooker and boiler group, yesterday urged shareholders to *reject a "wholly inadequate and* opportunistic" £217m cash bid from **Blue Circle Industries**.

Echoing the advertising slogan for some of its hover mowers, Birmid told shareholders: "Don't bovver" *with the bid from* Britain's largest cement group.

Birmid's defence document avoided both any estimate *of* its results for the year which ended on October 31 and any detailed criticism of its predator.

The 1986-87 figures would be produced "shortly," when additional scrutiny of Blue Circle's merits – and the uncertainty surrounding its own independence – was likely, Birmid said.

Advised by S G Warburg, Birmid yesterday focused instead on its record in "breaking the *mould*," – *shifting* the company's emphasis to consumer products *from foundries and revamping* remaining activities in the latter sector.

Birmid said that all its main brands, including Potterton boilers, Qualcast mowers and New World gas cookers, were UK market leaders.

It stressed its "meticulous" selection of acquisitions. At New World, bought from TI Group in July, Birmid was introducing *manufacturing skills learned* from its experience at Potterton.

Birmid shares closed 5p higher at 310p, compared with Blue Circle's 300p offer.

Arco lifts Britoil stake to over 20%

by Max Wilkinson

Atlantic Richfield, the US *oil company, yesterday* announced that it had increased its stake in Britoil, the UK independent oil group, from 19.2 per cent to 20.4 per cent.

Arco indicated earlier this month that it would consider launching a full bid for Britoil if British Petroleum made an outright offer.

***BP is expected to publish* a formal offer document for the purchase of all Britoil's shares at 450p apiece early in the New Year. However, Arco has not so far indicated whether it wants to make a rival bid at this price.**

BP is hoping to arrange talks with the Treasury early in 1988 to clarify the Government's views on how it will use its "golden share" in Britoil in the *event of a full takeover.*

The Treasury has said that it will use the share, which gives it a majority of shareholders' votes, to frustrate any change *of control* of Britoil. BP is still expected to go ahead with its offer which could give it 100 per cent ownership of Britoil without full control. However, the Treasury might yet insist on conditions which would effectively prevent the offer from going ahead.

Arco entered the contest earlier this month after BP made a tender offer for 29.9 per cent of Britoil at 800p per share.

Freemans hits back at Sears but refrains from forecasts

BY NIKKI TAIT

Freemans, the mail order group, yesterday hit back at an unwanted £430m cash bid from retail giant Sears, claiming that the offer "does not reflect Freemans record, undervalues its longer-term potential and fails to take sufficient account of its special position within mail order and within retailing in general."

But the Freemans' defence document, posted yesterday, offers little encouragement about current trading prospects: "Business picked up well in October *but was disappointing in the* pre-Christmas weeks," says the company.

"We believe that this was due in part to the effect on customer *confidence of the threatened* postal strike". Like most mail order businesses, Freemans sees its Christmas sales period peak in late-November/early-December, when fears about the postal strike were at their height.

"We believe an awful lot of people were put off," added Freemans managing director, Mr Ralph Aldred yesterday, "although it would have been worse if the strike had been threatened for January when our *new catalogue goes out*."

Freemans also reports that problems with the launch of two new "Bymail" titles affected the autumn edition of the original "Bymail" specialogue. The "Bymail" specialogues sell *clothes from Warehouse*, the fashion retail chain which Freemans acquired in June 1986.

According to Mr Aldred, the decision to launch the two new titles had to be taken fairly quickly after the acquisition, and the mechanics of having stock and catalogues in place on time proved impossible. As a result the new titles were two months late going out, and the company expects to make a loss on these in the current year.

Freemans adds that it intends to make a profits forecast for the year to end-January shortly, although this will come after the first closing date for the bid next Tuesday. In the first half, the company saw static pre-tax profits at £15.2m.

Aside from current trading, Freemans claims its past earnings and share price record has been excellent, and points out that *the company* has increased its share of the mail order market by 27 per cent since 1980, to 14 per cent.

"Our confidence in the future remains undiminished," argues the mail order company. "There *is scope for considerable* expansion. At present, home shopping represents only 3.5 per cent of the £100bn UK retail market."

Sears, however, immediately claimed *that its target was* attempting to distract shareholders by references to the longer-term. The document, said Sears chairman Mr Geoffrey Maitland Smith, "confirms serious *doubts* about the current profitability."

Freemans, argues Sears, "does not deal at all with what it intends to do to compete in an increasingly competitive industry and against a backcloth of unsuccessful moves into the important direct mail business and high street retailing."

Yesterday, Freemans shares gained 1p to 297p – 12p ahead of the Sears cash terms – while Sears gained a like amount to 133p.

Eagle has near 15% of Owners Abroad

By Nikki Tait

SHARES in **Owners Abroad**, the tour operator and airline seat broker, added a further 7p yesterday on news that **Eagle Trust** – the product *of* a three-way merger between Mitchell Somers, *the* unquoted Midland City Partnership, and the former Audiotronic Holdings in March - had lifted its stake from 4.87 per cent to 14.97 per cent.

Last week, *Owners shares* saw a sharp rise – from 66p to 85p – *on Christmas* Eve, although at the time the company itself said that it knew of no reason for the movement.

Yesterday, both Eagle and its *brokers* were unavailable to comment on the increased holding. However, Mr Howard Klein, chairman of Owners, said that *he* had spoken to Mr John Ferriday, *Eagle's chief executive*, and understood that the holding was "a trade investment".

Mr Ferriday and *Mr* Richard Smith, another *executive director at Eagle*, already have an interest in Paramount Airways. Paramount is a charter airline group *which started* operations earlier this year, flying out of Cardiff and Bristol *to European destinations*, and with which Owners does some business.

Bremner board split on EGM

BY CLAY HARRIS

THE BOARD of **Bremner**, the Glasgow-based department store group, voted yesterday to appeal against a ruling by the Edinburgh Court of Session that it holds an extraordinary general meeting on January 18.

The decision was reached by a split vote. *Mr Dennis McGuinness*, a Bremner director and chairman of Glasgow stockbroker Carswell which Bremner bought earlier this year, was outvoted 3-1 by the rest of the board.

Mr McGuinness yesterday nevertheless, on his own initiative, dispatched notice of a January 18 meeting to shareholders, stating that the court order must be *obeyed* until and unless it was validly suspended.

It was on his request that the Edinburgh court made the ruling last week. The Bremner board has scheduled *the meeting* requisitioned by Mr McGuinness for June 9, which it says is the first day after the audited figures for Carswell's year *to* April 24 will be available.

The majority argues that the meeting should not be held until then because Mr McGuinness and other former Carswell shareholders could be issued additional Bremner shares depending on the stockbroker's results.

At the EGM, whenever it is finally held, Mr McGuinness will ask shareholders to remove *Mr* James Rowland-Jones as chairman and two independent directors, Mr David Rees and Mr David Porter, and to replace them with his own nominees.

The board majority said yesterday *that the decision to appeal* was based "on the strong and unanimous advice of its lawyers."

The legal argument will centre on the requirement *in* company law that directors convene a shareholders' meeting "forthwith" and send out notices of the meeting within three weeks of receiving the requisition.

The time limit within which *the meeting itself* must take place is not specified, however, and the McGuinness camp claimed *to have* set a *legal* precedent with last week's ruling. That premise will now be tested in the High Court in Edinburgh.

Radiant Metal over £0.1m at halfway

Radiant Metal Finishing, metal finisher and property developer, increased pre-tax profits from £90,125 to £110,000 in the half year ended August 31 *1987 on turnover which fell back* from £733,100 to £643,416.

Operating profit for the period increased from £86,382 to £105,184. Earnings emerged at 5.26p (4.28p) *after* tax of £38,500 (£31,919).

The interim dividend is maintained at 1p.

Stavert static at mid-term

Profits of **Stavert Zigomala**, *Investment holding company* and furniture and carpet wholesaler and retailer, were little changed at £34,361 pre-tax over the half year ended September 30 1987, against £35,045 last time.

Higher overheads resulting in lower margins were not fully compensated by increased *investment income. The directors* said, however, that the latter gave rise to expectations that the dividend for the full year would be increased – last year 10.95p was paid.

Half year turnover totalled £379,447 (£370,357) and after tax of £9,350 (£10,163) earnings per 20p ordinary emerged at 8.376p (8.335p).

North British Steel falls £0.9m into the red

A NUMBER of factors, including quality problems in a large batch of high specification castings, hit ***North British Steel Group* (Holdings)** in the year ended October 3 1987. These left the West Lothian-based steel founder and engineer with a pre-tax loss *of £937,000 against profits of* £104,000. Second half losses amounted to over £1m against an £81,000 profit.

Although sales for the year were little changed at £13.24m (£13.29m) operating losses were *£245,000 (£633,000 profits). Mr* George Menzies, the chairman, said that correction costs for the defect in the Armadale sand cleaning equipment were high.

In addition, the benefit of a £824,000 payment from the pension fund surplus was substantially reduced by the outstanding *Lazard scheme participation* costs and other exceptional expenses totalling £412,000 (£267,000).

There had been significant res*tructuring in the foundry* industry, the chairman reported, with the initial effect being a drop in Bathgate prices. Demand had increased, however, for power *generation castings* produced at Armadale works.

The main principal of Balberdie's foundry supply division ended its agency agreement and it would take some time for alternative sources of materials to be developed.

With the elimination of quality *problems at Armadale, orders* were beginning to reach a satisfactory level, Mr Menzies said. The introduction of a small moulding line at Bathgate would *increase market opportunities*, and production benefits from the introduction of an integrated control system were showing clearly in both foundries. Both made a reasonable profit in the first two months of the current year.

Tax took £33,000 (nil) and there was an extraordinary debit of £824,000, being the return of the pension fund surplus.

Philip Harris raises stake

By Clay Harris

Sir Philip Harris has made another large purchase of shares in Harris Queensway, the carpets and furnishings retailer of which he is chairman and chief executive. On Tuesday, Sir Philip bought 2m shares at 115p to raise his beneficial holding to nearly 38m shares, 16.1 per cent of the total.

The shares were offered by a single, unnamed shareholder and bought by Sir Philip, who said yesterday: "I'd rather buy something I know, than something I don't know."

***Sir Philip* last bought shares in early November, when he paid between 100p and 105p for a total of 1.75m. Harris Queensway shares were unchanged yesterday at 128p.**

Granada takes ERG with 70% acceptances

BY NIKKI TAIT

Granada, TV and leisure group, yesterday sealed success in its £250m bid for rival TV and video chain, **Electronic Rentals Group**.

The Granada offer was the first of the wave of bids to be launched in the wake of Black Monday.

By yesterday's first closing date, Granada had received acceptances on behalf of 69.7 per cent of Electronic Rentals shares. Included in the acceptances was the 21.8 per cent holding belonging to Dutch electronics group, Philips. Philips gave an irrevocable undertaking to accept when Granada raised its initial offer terms earlier in the month, thereby winning a recommendation from the Electronic Rentals board.

In addition to the acceptances, Granada itself owns a 14.9 per cent stake in its target – giving it control of almost 85 per cent of Electronic Rentals shares by yesterday afternoon. The offer has therefore been declared unconditional in all respects.

Yesterday, Granada's finance director, Mr Derek Lewis, said that the company had been confident of success by the first close but was very pleased to have secured the high level of acceptances.

"We can *now* get on immediately with the business of merging the two business," he added.

Concert party increases Crescent Japan holding

THE New York-based concert party, which has been building up an interest in **Crescent Japan**, the £58m investment trust managed by Edinburgh *Fund Managers*, yesterday announced that it has lifted its holding from 15.9 per cent to 17.56 per cent.

In a separate announcement, the **Kuwait Investment Office** declared that it no longer has a beneficial interest in the trust; according to EFM records, it previously held around 1.85 per cent.

The concert party comprises four members of the Grace family, Mr John Pinto, Mr James Pinto and Mr James Rosenwald III.

KIO, meanwhile, has trimmed its interest in a second EFM trust. Its holding in New Tokyo Investment Trust has edged back from 22.94 per cent to 21.19 per cent, according to EFM.

Drayton Japan sets meeting date

Drayton Japan – the MIM-managed investment trust where a New Jersey investment partnership, AJS Partners, has built up an aggressive 25.2 per cent voting stake – yesterday complied with the latter's request to call an extraordinary meeting to consider discount-eliminating moves. The date of the meeting *has been set for March 2.*

In a letter to shareholders, Lord Stevens, chairman *of the* trust, said that "a reasonable period has been allowed prior to the meeting *in* order to enable the board of Drayton Japan to examine the various options that are available to maximise shareholders' values."

IN BRIEF

HAMLYN MILLING, subsidiary of Hanson, made pre-tax profits of £142,340 on turnover of £14.49m for the year to September 26 1987. Profits were £57,522 and turnover £6.65m for the six months to September 27 1986. Earnings per share worked out at 6.46p (3.24p) after tax of £38,979 (£5,640).

CALEDONIA INVESTMENTS has increased its holding in Close Brothers *from 8,346,500 ordinary* to 8,896,500 ordinary (24.14 per cent).

COMBINED LEASE FINANCE: Following an egm held on December 16, Combined Lease Finance has been renamed CLF Holdings. Simultaneously, a wholly-owned subsidiary adopted the name *of Combined* Lease Finance.

GREAT PORTLAND ESTATES has purchased three office buildings for approximately £8m in cash from institutional clients of George Trollope.

IBSTOCK JOHNSEN: Resolutions approving the acquisition of Eucalyptus Pulp Mills, increasing the authorised share *capital of Ibstock Johnsen* and authorising the directors to allot relevant securities, and authorising the directors to make certain amendments to the employee *share schemes*, were *passed* at an EGM held on December 30.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Sterling Industries, Wiggins.

Final- Royal Trust Dollar Income Fund.

FUTURE DATES

Interims-

Hollas	Jan 6
Howden	Jan 14
Zetters Leisure	Jan 5
Zygal Dynamics	Jan 6

Finals-

Cresent Japan Inv Trust	Jan [illegible]
London and Clydeside	Jan [illegible]
New Tokyo Investment Tst	Jan [illegible]

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
206	133	Ass. Brit. Ind. Ordinary	189	0	8.9	4.7	7.1
207	145	Ass. Brit. Ind. CULS	197	0	10.0	5.1	
41	26	Armitage and Rhodes	27	0	-	-	-
142	40	BBB Design group (USM)	55	0	2.1	3.7	8.8
188	108	Bardon Group	156xd	-1	2.7	1.7	26.7
186	95	Bray Technologies	240	-1	4.7	3.4	11.2
281	130	CCL Group Ordinary	255xd	0	11.5	4.5	6.5
147	99	CCL Group 11% Conv.Pref	129	0	15.7	12.2	
172	130	Carborundum Ordinary	130	0	5.4	4.1	11.3
104	91	Carborundum 7.5% Pref	100xd	0	10.7	10.7	
180	87	George Blair	146	0	3.7	2.5	3.8
143	75	Isis Group	75	0			
104	99	Jackson Group	91xd	0	3.4	3.7	10.1
780	245	Multihouse NV (AmstSE)	245	0	7.5	3.1	9.7
88	35	Record Holdings (SE)	56	-2	2.7	4.9	11.3
115	83	Record Hldgs 10% Pref (SE)	108	0	14.1	13.1	
92	53	Robert Jenkins	53	0			2.4
124	30	Scruttons	124xxs	0	5.5	4.4	4.9
224	67	Torday & Carlisle	204	0	6.6	3.2	9.9
71	32	Trevian Holdings (USM)	65	-2	2.7	4.2	7.0
131	41	Unilock Holdings (SE)	61	+1	2.8	4.6	11.2
264	115	Walter Alexander	165	-1	5.9	3.6	12.2
205	190	W.S Yeates	203	0	17.4	8.6	20.3
170	67	West Yorks.Ind.Hosp.(USM)	120	0	5.5	4.6	12.7

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA

US indecision and EC tantrums

By A. H. Hermann, Legal Correspondent

A REVIEW of 1987 achievements by the UK's main business partners is not likely to enhance any jollifications *planned for tonight, nor does it* need to spoil them. Though a few US corporate giants went broke because of penal damages awarded against them, no human fatalities have been reported so far, and, as to the European Community, industry is now so used to the perennial and steadily increasing uncertainties of EC laws that it hardly cares any longer.

One of the more cheerful aspects of civil courts is that, as a rule, at least one of the two parties in dispute leaves laughing. Not always, of course. The US Supreme Court, for example, managed on more than one occasion this year to leave everybody puzzled.

Thus, on the subject of *extra-territorial discovery* orders, a matter of painful interest to many European companies, the majority held that courts must decide on a case-to-case basis whether US Federal Rules of Procedure (which European companies find rather harsh) or the Hague Evidence Convention procedure should be used. The minority of four Justices – out of a bench of nine – said this ignored the policies established by the Administration and Congress when they negotiated and ratified the convention. They pointed out that the decision did not provide any guidance to lower courts on how to analyse conflicts of interest – conflicts already resolved in the convention.

They concluded that there should be a general presumption favouring the use of the convention. So do I, so do the governments of France and West Germany. But the British Government is quite happy to take it on trust that a US trial court will show gentlemanly courtesy and give UK interests proper consideration. So there is something to laugh about after all!

The Supreme Court also became deadlocked on whether the misappropriation of the Wall Street Journal's information by R. F. Winans, writing its "Heard on the Street" column, was a *criminal violation* of federal securities laws. This leaves unresolved the many puzzles of US federal insider trading law. But insider traders may not laugh for long, the Court's indecision has probably made legislation more likely.

The Supreme Court, which in 1982 struck down as unconstitutional an Illinois anti-takeover statute, approved this year a similar Indiana statute, reversing a Seventh Circuit judgment written by the "business knows best" Judge Richard Posner. The essence of the statute is that whoever wants to acquire the control of an Indiana company must first obtain the approval of shareholders disinterested in the takeover bid. This prevents the target management from concluding with the bidder a deal which the rank and file shareholders would not consider to be to their best advantage. For trans-national corporations, the main significance of this is that the decision gives the green light to a similar anti-takeover law about to be adopted in Delaware, the favourite place for multi-nationals to have their holding or headquarter company registered.

Such divisions and waverings in matters of great import, and not only for business, explain why the appointment of a new Justice to the Supreme Court escalated into a major conflict between the President and the Senate. One candidate was rejected for being too clever by half and another took fright at skeletons in his closet. The third, Judge Kennedy of California, is well on the way to being in. He was wise enough to disclaim any great interest in legal philosophy and assured the Senate that his Catholicism would not influence his stand in abortion cases.

While there is a tendency to strengthen the position of ordinary shareholders against the management, which might have reached an agreement with the bidder, both the US Supreme Court and the West German Federal Supreme Court now adopt a softer approach to competition arguments against proposed mergers. The previous objections against mergers, based on the fear that the resulting superiority of financial muscle could have anti-competitive effects, have been abandoned in both jurisdictions.

Hand in hand with this goes a relaxed attitude to disputes which involve an element of public law, of which anti-trust law is a part. After the landmark 1985 decision in *Mitsubishi*, when the US Supreme Court approved arbitration of anti-trust claims, the Court has now approved agreements to arbitrate claims made under the Racketeer Influenced and Corrupt Organisations Act – so opening the possibility of avoiding litigation aimed at punitive treble damages.

No such relaxation can be observed in the EC. Throughout the year the Commission has been hotly pursuing state aids, and obtained from the Court a ruling obliging companies to return funds granted without its knowledge or approval. It was also active on the anti-dumping front, prompted by companies alleging predatory pricing by Far Eastern or east European exporters. A certain method which it developed for calculating dumping prices provoked complaints of unfairness and protectionism, but an appeal was upheld by the European Court. This banished the habitual smile from the faces of our Japanese friends – a matter which ought not to be ignored, as a genuine feeling of being wronged clouds relations and leads to retaliation.

The UK Government is happy to trust that a US court will show gentlemanly courtesy

The Commission scored a welcome success by obtaining from the European Court a decision extending, at least partly, the competition rules of the EC Treaty to air transport. But the UK could rejoice only briefly. The Commission's *intention to use the Court's decision* to attack the merger agreed between British Airways and British Caledonian has overshadowed the prospect of deregulation and cheaper fares, which still remain distant.

The UK has so far been the only member state with two airways with international routes. All the others have only one and some may well fear the combination of the two British airlines. This is understandable on the part of companies unused to competition and softened by government support. But it would seem rather odd if the Commission wished to use the competition rules to protect them from inter-state competition. One wonders whether the Commission is really interested in promoting competition on an *inter-state scale*. The attack on the BA/BCal merger seems to be just another skirmish in its perennial quest for more power.

Last month the Commission succeeded in bringing a step nearer to fruition its 14-year-old plan for control of European mergers. The EC Treaty does not provide for it and the member states have repeatedly turned down the Commission's draft regulation, which would give it the power to require preliminary notification of mergers and to prohibit them if considered anti-competitive.

On November 30, the Council approved the draft in principle, despite opposition from France and the UK. The UK objects that the threshold of control, proposed at ECU1bn (£690m) of combined turnover is too low, and the three to nine months the Commission wants for scrutinising merger projects much too long.

However, the Commission *claims to have*, in the *Phillip Morris* judgment, obtained from the European Court on November 17, a weapon capable of deterring all opposition. Though this judgment does not really say much more than that *the acquisition of a minority* shareholding in a competing company may, if forming a part of an anti-competitive agreement, fall under the prohibition of Article 85 of the Treaty, the Commission asserts that it provides for a general *ex post* control of mergers and acquisitions. Some faint-hearted lawyers believe it and are beginning to panic at the prospect of mergers adversely affecting competition and trade between member states *being automatically invalid* and liable to attack in national courts – hence governments should give the Commission the regulation it wants. The Commission smiles like a Cheshire cat.

It has more reason to laugh because it is winning the VAT battle with member states. In a case brought by the Commission against the UK and Ireland, Mr Advocate General Darmon concluded that the Court should order the defendants *to levy VAT* on new industrial and commercial property developments. This news has greatly distressed UK construction companies, but its significance is much greater: should the Court follow the Advocate General – as it is *likely to do* – the member governments will lose the right to decide which sectors deserve favourable tax treatment.

Member governments may become quite defenceless should their national courts *follow* the example of the German Federal Constitutional Court. Over the years this court has moved towards a full recognition of the European Court's judgments, even when touching on the highly sensitive subject of human rights guaranteed by the German Fundamental Law. It has now severely reprimanded the German Federal Financial Court for disobeying a European Court decision in a VAT case.

On the complaint of a *German taxpayer*, the European Court has ruled that an EC VAT directive is directly enforceable in Germany even if not implemented by German legislation. A German citizen, said the Constitutional Court, has an inalienable right to have his case judged in Luxembourg. If the Financial Court had any doubts, it should have asked again for explanation of the European law, but obey it must.

And so it seems, at least, the Commission has been laughing all the way to 1988 – in which I wish you good health and much happiness!

APPOINTMENTS

Lazard executive posts

Appointed assistant directors of LAZARD BROTHERS & CO. from January 1 are: **Mr David Anderson, Mrs Hilary Britton, Mr Charles Cox, Mr Malcolm Crouch, Mr Jonathan Dawson, Mr Thomas Glucklich, Mr Douglas Hudson, Mr Clive Kirby, Mr Peter Milne, Mr James Moon, Mr Norman Palfreman** and **Mr James Winterbotham. Mr Sandy Bowes** and **Mr James Tennant** become directors of Lazard Investors from the same date.

*

Mr R.M.H. Gilkes has been appointed chairman, and **Mr C.A.G. Keeling** and **Mr P.J. Rawlins** become deputy chairman of the committee of the LLOYD'S UNDERWRITING AGENTS' ASSOCIATION.

*

Mr Peter Green has been appointed managing director of *BINKS-BULLOWS*, responsible for UK operations. He was deputy managing director. **Mr George Dixon** becomes deputy chairman and group managing director responsible for international activities. Mr Dixon has also been appointed to the board of SAMES, a French powder painting equipment manufacturer recently acquired by the parent company, Binks Manufacturing Company Inc., of Chicago.

*

Sir Donald Walters, deputy chairman of the Welsh Development Agency, has been appointed to the board of ALLIANZ LEGAL PROTECTION INSURANCE COMPANY, Bristol, a subsidiary of Allianz AG Holding, Munich. Before his retirment in 1985 Sir Donald was deputy managing director of *Chartered Trust*.

*

SUNLEIGH ELECTRONICS has appointed **Mr Stephen Aston-Smith** as group financial controller and company secretary. He was with Frank Horsell Group, part of the Cookson Group.

*

CHARLES BARKER TRAVERSE-HEALY has appointed **Ms Judy Larkin** as divisional managing director of the advance technology group from January 1. She has been a director since 1986.

*

THE MORTGAGE CORPORATION has appointed **Mr Stephen Clasper** as executive director - finance. He was director - *capital markets, where he is* succeeded by **Mr Mark Stadler**, who was manager capital markets. **Mr Jon Boyle** has been romoted to director treasury. **Mr Ray Pierce** has been appointed executive director - marketing and business development; he was director *marketing*. **Ms Valerie Clements** has been promoted to director information systems; **Mr Alan Warwick** to national sales director; and **Mr William Bevan** to director operations and customer services.

*

Dr Paul Whitney has been appointed from January 1 chief executive of CIN MANAGEMENT, which handles investments on behalf of British Coal's Staff Superannuation Scheme and the Mineworkers' Pension Scheme.

*

Mr Paul Phillips is the new group finance director of KENNETH WILSON GROUP. Formerly with J. Bibby and Sons, Mr Phillips will be responsible for financial control and management within the group's 13 operating companies.

*

Mr A.J. Hamilton, deputy chairman of BYAS MOSLEY GROUP, has succeeded **Mr K.C.L. Webb** as chairman. Mr Webb remains a member of the board.

*

Mr Maurice Norman joins the board of SAVE & PROSPER ADMINISTRATION from January 1.

*

Mr Nick Holmes and **Mr Richard Hopkins** become partners at NEVILLE RUSSELL from January 1. **Mr David Ross** and **Mr Chris Jones** are made directors of the firm's tax consultancy.

*

Mr Stephen Barrett, Mr Duncan Bain and **Mr Peter Clokey** become directors; and **Mr Toby Hayward, Mr William McGrath** and **Mr Chris Tidball**, assistant directors, in the corporate finance division of LLOYDS MERCHANT BANK. **Mr Chris Shawyer** and **Mr Tony Woodward** become directors; and **Mr Les Tinsley**, an assistant director, in the banking and *capital markets division*.

*

The ROYAL BANK OF SCOTLAND has appointed **Mr Colin Gage** as senior trustee manager, trustee division, London from January 1.

*

Following the acquisition of T.L. Bennett (Holdings) and T.L. Bennett (Windows), **Mr Peter H. Price**, managing director of Hewetson, has been appointed chairman of BENNETT (HOLDINGS) and BENNETT (WINDOWS). **Mr John Hewitt**, assistant managing director of Hewetson, has joined the board of Bennett (Holdings) and **Mr Hans Schmidt**, secretary of Hewetson, will be a director and secretary of Bennett (Holdings) and Bennett (Windows). **Mr Trevor Bennett** and **Mrs Beryl Bennett** have resigned as directors of Bennett (Holdings) and Bennett (Windows).

*

FRAZER-NASH has appointed **Mr James E. Smith** as managing director of the newly-formed technology division from January 1. He also becomes chairman of the Frazer-Nash Consultancy, relinquishing the post of managing director. **Mr Andrew G. Milton** becomes director and general manager of Frazer-Nash *Consultancy; he was a director*. Another director of the consultancy, **Mr Brian Collins**, becomes director anbd general manager of Frazer-Nash Automation.

*

OCEAN TRANSPORT & TRADING has appointed **Mr Andrew Amos** as commercial director of its newly-created energy and vehicle services division from January 1. He was planning and development manager of Ocean Cory Trading.

*

Having completed four years as chairman of Lloyd's, **Mr Peter Miller** has been re-elected chairman of THOS.R.MILLER & SON (HOLDINGS) from January 1, and a director of the other group companies.

*

Mr W.C. Corbett, aviation manager and underwriter, and **Mr D. Pocock**, *general manager* - UK and chief motor manager, join the board of MINSTER INSURANCE CO. on January 1.

CONTRACTS

Birmingham City orders computers

SPECIALIST COMPUTER CENTRES has won a contract worth more than £2m to supply Birmingham City Council with computer equipment over the next two years. The contract covers the provision of IBM PS/2s, some terminal products and Apricot IBM compatibles. Consultancy, training services and an introduction to engineering may also be included within the terms of the contract.

*

E.W. BLISS (ENGLAND), Derby, has an order from Kodak worth almost £1m for the manufacture and installation of a production line associated with making 35mm film. The plant is due for completion next year.

*

Esso has awarded a multi-million contract for new plant at its Fawley refinery. **DAVY-MCKEE** has been selected to engineer, procure and construct a residfiner, designed to upgrade fuel oil into more valuable products. Esso anticipates that over 600 jobs will be created during the peak construction phase and *completion is scheduled for late* 1989.

Thailand and EC sign pact on rubber

THE EUROPEAN Community and Thailand have signed the second International Natural Rubber Agreement, giving the necessary 75 per cent of producers and consumers to bring the agreement into force next year.

Mr Dieter Stiepel, INRO's Deputy Executive Director, said the EC and Thailand had signed the agreement at the INRO headquarters in Kuala Lumpur before Christmas.

The decision of the two members was welcomed by the Malaysian Government. A representative said it had been essential for the agreement to get more than 75 per cent of the members' votes before today. He said either side could now ask for the agreement to come into force provisionally next year.

Mr Stiepel said INRO members hoped the second agreement would come into force by October. The first agreement expired last October.

INRO members have until the end of 1988 to ratify the agreement, a process which can be laborious for some countries which require sanction from their parliaments.

So far, Malaysia and Indonesia, the two biggest producers, have signed and ratified the pact.

The US, the world's biggest consumer, signed the agreement early this month. US Administration statements welcomed the pact as a model of producer consumer co-operation in commodities, and pledged it would play its role to make it a success.

INRO officials say the pact has proved its value in helping to stabilise prices as it was able to operate at both ends of the price range during the seven year duration of the agreement.

The buffer stock manager acquired 370,000 tonnes of rubber during the surplus years of 1984 to 1986 but since last September he had disposed more than 40,000 tonnes from his stockpile.

The current rubber price is just below the must sell level of 242 Malaysian/ Singapore cents a kilo.

Calcium demand 'will survive price increases'

BY KENNETH GOODING, MINING CORRESPONDENT

THE TECHNICAL merits of calcium metal so far outweigh its cost that further modest increases in price will have little impact on demand, suggests Roskill Information Services in its latest study.

This is despite the fact that, at first sight, the calcium industry's prospects look unpromising.

Producer stocks of the metal this year were reported to amount to about one year's world demand – believed to be nearly 2,000 tonnes. Production capacity is about 5,000 tonnes a year and capacity utilisation is probably no more than 50 per cent.

However, calcium prices have been increasing steadily for more than 10 years, although in real terms the increase has been small.

Roskill suggests that in most of its applications calcium is virtually irreplaceable.

Metallurgical applications account for about 60 per cent of calcium consumption. The steel industry uses the metal as a ladle addition to assist desulphurisation and for inclusion modification in continuously cast aluminium-killed steels.

New techniques have reduced the amount of calcium required but steel refining is still the largest metallurgical end-user, absorbing 25 per cent of consumption in the US, the world's major user, accounting for 800 tonnes a year.

Lead-calcium, maintenance-free storage batteries are the single largest consumer in the U.S., taking 30 per cent of total consumption there.

Elsewhere in the world there has been a resurgence of lead–antimony batteries with levels of antimony low enough to provide virtually maintenance–free characteristics. These batteries are cheaper than the lead–calcium variety.

"The Economics of Calcium Metal 1987" £360, $450 or DM900 from Roskill Information Services, 2 Clapham Road, London SW9 0JA.

Guyana to reopen bauxite plant

BY CANUTE JAMES IN KINGSTON

THE GOVERNMENT of Guyana is close to a conclusion of negotiations with foreign companies to rehabilitate the country's bauxite refinery which has been closed for five years.

Mr Desmond Hoyte, the President of Guyana, said this week that the reopening of the refinery will begin early next year. He did not name the companies involved, but in a statement three months ago he said the project would involve Brazilian and East German companies, and Guyana's state-owned Bauxite Industry Development Company

Government officials have said that Reynolds Metals of the U.S. is to provide technical assistance in rehabilitating the plant. The refinery has a rated capacity of 300,000 tonnes per year.

Aluminium to be in relatively short supply following fall in stocks

BY KENNETH GOODING, MINING CORRESPONDENT

ALUMINIUM supplies will be in relatively tight supply at the begining of 1988, according to two major North American producers, following a fall in producer stocks to the lowest level for 17 years.

Mr William Bourke, president and chief executive of Reynolds Metals, says: "World aluminium supply-demand conditions will range from balanced to tight in 1988, as opposed to extremely tight today."

Mr David Morton, Alcan Aluminium's president and chief operating officer, also suggests that the first quarter will be tight globally with shortages in some areas. He warns that strong demand and very low stocks have left his company more than 50,000 tonnes short of its 1988 first-quarter requirements.

The strike at Alcan's Shawinigan smelter, where the workforce has been locked out since the end of October, is only partly responsible for the shortfall, he insists.

Continued high levels of demand which are exceeding world output are also to blame.

Alcan's smelters around the world are running at a high level of capacity and the group suggests that other aluminium producers are in a similar situation.

Mr Ian Rugeroni, president, metal marketing for Alcan, says the group has cut its metal stocks probably to their lowest-ever level. The Canadian facilities are operating with enough metal for about four days which is about as low as any complex metal operation can go.

However, another Alcan official points out that the expected 50,000 tonnes shortfall in first-quarter requirements should be seen in the context of the group's annual 2m tonnes turnover. And the company's January shipments are covered, he says.

In his end-of-year review of global trends in the aluminium industry, Reynolds' Mr Bourke points out that the underlying business fundamentals affecting major producers remain positive and new orders and shipments continue to be quite strong.

He estimates that the producers shipped about 5 per cent more metal this year than in the previous year, taking the world-wide total above 16bn lbs for the first time.

In 1988 growth should slow to a more-sustainable 1.5 to 2 per cent rate "with capacity use reaching the highest levels this decade and supply-demand in near balance."

However, shipments in 1988 are expected to set another record at 16.423bn tonnes.

The fall in the value of the dollar is already helping the US producers, Mr Bourke points out. Aluminium exports from the US were up by one third this year to 1.25bn lb.

Mr Bourke predicts that exporting may be the biggest growth area for the US aluminium producers in 1988 and advance by another 13 per cent.

Kenneth Gooding on the reasons for the survival of the Kinlochleven aluminium smelter

Welcome rains which fall mainly in the mountains

ABOUT 80 inches of rain falls each year on the mountains which surround the Kinlochleven aluminium smelter, one of the smallest and oldest still operating in the western world.

That compares with an average of 50 inches of rain for Britain as a whole and has been the main reason why Kinlochleven, nestling in the Scottish Highlands about 60 miles from Inverness, has not only survived but is two-thirds of the way through a £2.5m investment programme.

The water which tumbles from the mountains in such abundance provides Kinlochleven with cheap hydro-electric power.

Power is the major single variable cost factor in primary aluminium production. The lack of cheap power has virtually driven the Japanese out of the business and forced major cuts in north America.

In 1977 Japan produced 1.1m tonnes of aluminium, but nearly all its smelters have been shut down, leaving only 64,000 tonnes of capacity.

In America last year Reynolds and Alcoa permanently closed capacity, as did Alcan, the ultimate owner of the Kinlochleven smelter.

Kinlochleven was built in 1907 and has the capacity to produce only 11,000 tonnes of aluminium a year. Any company building a smelter today would consider an output of 130,000 tonnes a year the minimum requirement and would probably go for 250,000 to justify the investment.

The current investment programme was started in March last year and will be completed by next summer. It followed an 18-month study when the smelter's future, particularly in the light of ever-tightening environmental standards, was considered. Closure was one option.

The future of the smelterr was at stake and so was the future of the Kinlochleven village, which sprang up in an area previously unchanged for centuries.

Today the Kinlochleven management is acutely aware that nearly all the 1,200 people who live in the village owe their livelihood to the smelter which they calculate pumps £4m of cash a year into the local community.

Process workers at the smelter are paid about £180 a week - the top rate in the area matched only by the Wiggins Teape paper mill.

At its peak the smelter provided 800 jobs. Before the latest reorganisation the number was down to 220 and this will fall again to 155 by the time the investment programme is completed.

There was no question of spending heavily to modernise Kinlochleven completely, as happened in 1980-81 at the sister smelter, at Lochaber 23 miles away, where £40m was spent.

But steps have been taken to improve the environmental standards inside and outside the smelter and new machinery – some of it replacing 30-year-old equipment – is being introduced to help improve productivity.

There has been a redistribution of work for those who have kept their jobs, resulting in increased flexibility and extra productivity.

The smelter once employed fitters, sheet metal workers, machinists and semi-skilled trades people. It now has only one category: trades person.

To complement these changes, Kinlochleven is concentrating on filling market niches which the major smelters find too bothersome.

It makes super-pure aluminium and 80 per cent of its output is above the standard 99.7 per cent purity.

It also offers small ingots (bars), even as small as 1kg and 3kg. The big smelters would be reluctant to go below 5 tonnes.

Kinlochleven is able to respond to small orders quickly. The smelter now has 60 regular customers outside the Alcan group.

All this enables Kinlochleven to charge a healthy premium for its aluminium and according to Mr George Haggart, managing director of British Alcan Highland Smelters, of which it is a part, the smelter makes a good profit.

Highland Smelters also operates the Lochaber smelter which provides staff services for both plants, a considerable saving because Kinlochleven once employed 20 people in its finance department alone.

Lochaber is also a relatively small smelter with an annual capacity of 38,000 tonnes. But it, too, can bank on cheap hydro-electricity provided by a power station built in the 1920s and good for another 50 years.

Water for Lochaber comes partly from Ben Nevis, a mountain which attracts a phenomenal average annual rainfall of 161 inches at its summit.

The Lochaber smelter now employs 335 people compared with 510 before the £40m investment in the early 1980s, but it is still one of the biggest employers in the Fort William area and makes an annual £7m cash contribution to the local community.

A further £2.5m is currently being invested at Lochaber for new railway sidings and new train sets, a scheme attracting £1.1m of government grants.

The project, to be completed next year, will provide pressurised waggons to carry 95,000 tonnes of bauxite a year to the Highland smelters from Blythe, near Newcastle upon Tyne.

British Rail will provide the haulage service. The rail scheme was chosen in preference to road transport – which would have put 16 trucks on the road every day – or sea transport which was considered to be prohibitively costly.

The Kinlochleven and Lochaber smelters were once owned by British Aluminium Company which Alcan, the major Canadian aluminium group, took over in 1981.

Between them British Aluminium and Alcan's UK operations incurred losses of £48m in 1981 and the newly-merged organisation, British Alcan Aluminium, had a £40m loss for 1982.

However, since then, the company, which includes a third smelter at Lynemouth in Northumberland and semi-fabricating and fabricating operations, has been consistently profitable.

Taxable profits were £22m in 1983; £50m in 1984; £43.5m in 1985 and in 1986 British Alcan Aluminium produced a pre-tax profit of £35.8m on a turnover of £837m.

Profits have mainly been ploughed back into investment projects and among other things should keep the Kinlochleven smelter operating into the 1990s. There can be no guarantees about the longer term though.

The Kinlochleven workforce remembers the case of the smelter at Foyers, where in 1896 aluminium was first produced in commercial quantities by the electrolytic method – using the Highlands' cheap hydro-electric power.

The Foyers smelter gained only a temporary stay of execution in 1954 when it was converted to the production of super purity aluminium. It was closed in 1967 because it was too small to be econonically viable.

Digging in for a crucial battle at an open coal pit

David Owen in Toronto reports on a dispute threatening a mine

THE FUTURE of the big Quintette open-pit coal mine in western Canada hangs in the balance due to a long festering dispute with its Japanese customers over the pricing of the mine's metallurgical coal output.

The affair is of much more than local significance. It has already prompted concern about the extent to which trading relations between hard-pressed Japanese manufacturers and their suppliers may be harmed by the pressures accruing from the yen's appreciation. It also raises questions about the degree to which raw materials suppliers in general should be cushioned by long–term contracts from the vagaries of volatile commodities markets.

At the heart of the problem is a sale–purchase agreement signed by Quintette and its future customers (and minority shareholders) in 1981, which led to the construction of the mine as part of a C$2.7bn (£1.1bn) coal and transportation project in remote north-east British Columbia.

This agreement committed the consortium of 10 Japanese steel mills and coke makers to take a total of 5m tonnes of Quintette coal per annum (plus or minus 5 per cent) for 14.5 years from the mine's opening until March 1998. The base price was fixed at C$75 a tonne - a figure which has since escalated pursuant to the terms of the contract to approximately C$104 a tonne.

This base price figure has diverged increasingly in recent years from depressed prevailing world metallurgical coal prices. These have slumped to a 15–year low in real terms of less than C$60 a tonne.

In partial recognition of this, the two sides have twice since 1985 negotiated a C$8.50 per tonne reduction in the contract price of Quintette coal, in accordance with a so-called "inequity price review provision" in the agreement.

However, for the past year, Quintette's Japanese customers have been arguing that this is no longer enough and pressing for a substantial adjustment in the actual base price to essentially prevailing world levels.

The agreement provides for four-yearly base price reviews at the request of either party. The review is to "take into consideration" the prices for metallurgical coal being sold to Japanese buyers by big Canadian suppliers under long–term contracts.

Talks between the two sides broke down in November and the matter is poised to move to independent arbitration. According to a recent statement by Mr Ko Ono, senior managing director of Nippon Kokan – a major Quintette customer – the buyers will request that the panel arbitrate a future coal price and decide whether or not they have the right to terminate the purchase agreement.

The Japanese stance has provoked a hostile reaction from Quintette, whose president, Mr Paul Kostuik, maintains that the mine will be forced to close if the Japanese steel industry succeeds in reducing the price it pays for metallurgical coal to C$57.85 a tonne.

The reductions being sought "violate the intent of our agreements and make a mockery of the assurances the Japanese gave to the Canadian people," Mr Kostuik adds. "If the price of coal were today at C$140 a tonne, as was originally projected by the Japanese steel industry, we wouldn't be getting it."

Quintette's case rests on the argument that the entire north-east coal project was premised on the apparent assurance that the mine would receive an inflation–adjusted C$75 a tonne for its output. "The Japanese knew from the start that north-east British Columbia would never have been developed if the price of coal were C$57.85 a tonne," Mr Kostuik says.

Quintette's costs have never been revealed, but Quintette Coal's net earnings last year amounted to a paltry C$1.5m. This gives some indication of the serious problems which the company, held 50 per cent by Toronto-based Denison Mines, would face in the event of significant price cuts.

An estimated C$25 a tonne is absorbed in servicing the mine's remaining C$711m debt with a consortium of 56 banks, 27 of which are Japanese. This raises the possibility that Quintette could conceivably be kept going at a base price somewhat below C$104 a tonne if its lenders are prepared to show some flexibility.

Mr Kostuik stresses that Quintette has fully complied with all its obligations under the lending agreement, but the company has been endeavouring to restructure its debt for about two years. It recently sent a new restructuring proposal to the banks.

Meanwhile, the mine faces further problems as a result of the continued late arrival of Japanese ships

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE PRICES retreated in quiet trading after opening firmer with the dollar. As the dollar eased against sterling later in the day some trade selling entered the market, pushing prices down. With a second International Coffee Organisation quota cut this quarter now very unlikely, the market remains bearish, while business is still very quiet before the New Year. The second position robusta contract closed down £10 a tonne at £1,223 a tonne. Trading was also thin on the London Metal Exchange. Aluminium saw some gains in the morning pre-market when a few Japanese buying orders, despite their holiday, saw sellers back away. But the gains were later pared by light profit–taking, dealers said. Nickel regained much of Tuesday's losses, ending at $4.01 a lb. Fundamentals remain sound and effective support at $4.00 is expected to lead to a short–term test of the $4.25 lrs chart target, analysts said.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.30-5.40y	+0.15
Brent Blend	$17.80-18.20	+0.05
W.T.I.(1 pm est)	$16.95-7.00y	+0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$163-166	
Gas Oil	$153-155	
Heavy Fuel Oil	$77-78	
Naphtha	$145-147	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$484.50	-2.25
Silver (per troy oz)♣	669c	-5
Platinum (per troy oz)	$506.25	-8.50
Palladium (per troy oz)	$126.25	-1.25
Aluminium (free market)	$2010	+5
Copper (US Producer)	141½-150c	+5½
Lead (US Producer)	42c	
Nickel (free market)	415c	+5
Tin (European free market)	£3760	
Tin (Kuala Lumpur market)	17.02r	
Tin (New York)	320.50c	
Zinc (Euro. Prod. Price)	$860	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	105.40p	+0.71*
Sheep (dead weight)†	195.96p	+3.38*
Pigs (live weight)†	73.00p	+2.93*
London daily sugar (raw)	$238.00v	-1.80
London daily sugar (white)	$241.50v	+1.00
Tate and Lyle export price	£235.00	-0.50
Barley (English feed)	n/a	
Maize (US No. 3 yellow)	£135.00	
Wheat (US Dark Northern)	£90.75u	+0.50
Rubber (spot)♥	62.50p	+0.25
Rubber (Feb)♥	64.25p	
Rubber (Mar)♥	64.00p	
Rubber (KL RSS No 1 Jan)	273m	+0.50
Coconut oil (Philippines)§	$560w	
Palm Oil (Malaysian)§	$485z	-10
Copra (Philippines)§	$385z	+10
Soyabeans (US)	$166z	+3
Cotton "A" index	76.35c	+1.30
Wooltops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. v-Jan/Feb. z-Jan. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Dec	1037	1024	1034 1019
Mar	1055	1046	1060 1048
May	1074	1067	1079 1067
Jly	1094	1086	1098 1088
Sep	1114	1105	1116 1107
Dec	1136	1129	1140 1130
Mar	1163	1154	1166 1155

Turnover: 1575 (1603) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for December 30: 1353.58 (1344.56) .10 day average for December 31: 1361.68 (1360.68).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1195	1202	1205 1192
Mar	1223	1233	1229 1217
May	1238	1250	1250 1237
Jly	1257	1270	1268 1254
Sep	1277	1290	1288 1280
Nov	1295	1305	0 1295
Jan	1320	1327	1325 1325

Turnover: 4023 (2477) lots of 5 tonnes
ICO indicator prices (US cents per pound) for December 29: Comp. daily 1979 116.28 (116.18); 15 day average 115.30 (115.22).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	209.20	207.60	229.80 207.00
May	208.40	207.80	208.80 206.60
Aug	208.20	206.80	208.80 206.60
Oct	207.80	207.00	209.00 207.00
Dec	210.00	208.00	
Mar	213.00	212.00	212.60
May	214.00	212.80	213.60
White	**Close**	**Previous**	**High/Low**
Mar	244.60	245.00	245.00 243.00
May	248.50	247.00	247.50 247.00
Aug	253.50	255.00	253.20 251.00
Oct	253.00	251.00	253.00 252.00
Dec	255.00	251.00	
Mar	260.00	256.00	251.00
May	264.00	260.00	

Turnover: Raw 2569 (3207) lots of 50 tonnes; White 680 (1456).
Paris- White (FFr per tonne): Mar 1317, May 1335, Aug 1367, Oct 1367, Dec 1375, Mar 1400.

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	151.00	151.25	153.50 150.25
Feb	149.00	146.50	149.25 145.75
Mar	142.00	141.50	143.25 141.60
Apr	138.50	137.50	138.00 137.50
May	136.00	137.50	138.50 135.50
Jun	137.50	138.50	138.50 136.00

Turnover: 3459 (2482) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	113.30	113.15	113.30 113.15
Mar	115.00	114.80	115.00 115.00
May	117.30	117.15	117.30 117.15
Jly	119.75	119.60	119.75 119.75
Sep	103.55	103.55	103.55 103.55
Nov	105.55	105.55	105.55 105.55
Jan	108.30	108.30	108.30 108.30
Barley	**Close**	**Previous**	**High/Low**
Jan	107.10	106.70	107.20 106.70
Mar	109.30	108.85	109.35 108.85
May	110.55	110.30	110.55 110.55
Sep	98.10	98.10	98.10 98.10
Nov	100.50	100.50	100.50 100.50
Jan	102.60	102.60	102.60 102.60

Turnover: Wheat 12 (43), Barley 30 (34) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 3,000 tonne
Cash	2005-15	1990-2010		2006-15		
3 months	1895-905	1885-1900		1895-905	1885-95	3,589 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 27,175 tonne
Cash	1074-6	1058-72		1078-82		
3 months	1011-2	1003-5	1015/1009	1014-5	1006-8	50,577 lots
Copper, Grade A (£ per tonne)						Ring turnover 36,100 tonne
Cash	1696-700	1705-10	1690/1685	1688-90		
3 months	1466-7	1446-7	1470/1456	1465-6	1469-60	78,847 lots
Copper, Standard (£ per tonne)						Ring turnover 225 tonne
Cash	1650-60	1500-10	1690/1600	1650-60		
3 months	1430-40	1436-40		1430-40		67 lots
Silver (US cents/fine ounce)						Ring turnover 10,000 ozs
Cash	665-8	672-5	666	555-7		
3 months	677-80	685-8		678-80	680-5	657 lots
Lead (£ per tonne)						Ring turnover 7,225 tonne
Cash	361-2	361-2	362/360	361-2		
3 months	348-9	345.5-6	350/345	348-9	348-9	11,974 lots
Nickel (£ per tonne)						Ring turnover 1,164 tonne
Cash	5035-45	4965-85	5035/5020	5025-35		
3 months	4770-80	4705-10	4780/4750	4768-70		8,456 lots
Zinc (£ per tonne)						Ring turnover 16,100 tonne
Cash	475-7	474-7		477-8		
3 months	472-3	468-9	474/469	474-5	470-2	12,589 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	103.0	100.3	
Mar	90.0	87.0	
Apr	145.5	145.0	145.5 145.3
May	159.0	158.5	
Nov	94.0	87.5	
Feb	100.0	96.0	

Turnover: 5 (16) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	140.50	140.00	
Apr	135.00	136.00	
Jun	125.00	126.00	
Aug	120.50	120.00	
Oct	120.00	119.50	
Dec	123.00	123.00	

Turnover: 0 (0) lots of 100 tonnes.

FREIGHT FUTURES $/index point

	Close	Previous	High/Low
Jan	1287.0	1289.0	1290.0 1285.0
Apr	1314.0	1315.0	1315.0 1312.0
Jly	1163.0	1156.0	1160.0 1160.0
Oct	1270.0	1266.0	1270.0 1270.0
BFI	1259.0	1261.5	

Turnover: 81 (176)

WOOL
After a very brief setback Australian wool prices are rising strongly again this week. The emphasis is again on finer merinos where increases are particularly sharp but there is no doubt about the overall market direction. The UK trade is finding more business as prices resume their rise but there is a good deal of anxiety in looking ahead, since retailers' resistance to further increases is building up again. The Australian Wool Corporation market indicator reached $9.19 on November 18, ($8.98 the previous week). Bradford prices for most qualities of tops are up by 5-10p. China and Russia are repeatedly mentioned as important sources of demand in the world wool market.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	484¼-484¾	260½-261
Opening	486¾-487¼	261½-262
Morning fix	486.90	262.735
Afternoon fix	484.10	260.661
Day's high	487-487½	
Day's low	482½-483	
Coins	**$ price**	**£ equivalent**
US Eagle	498-503	268-271
Mapleleaf	498-503	268-271
Britannia	498-503	268-271
Krugerrand	483-486	259½-261½
1/2 Krug	254-263	136¾-141½
1/4 Krug	126-134	67¾-72
Angel	497-502	267½-270
1/10 Angel	50-55	27-29½
New Sov.	114-115	61¼-62
Old Sov.	114-115½	61¼-62¼
Noble Plat	525-535	282.1-287.45

Silver fix	p/fine oz	US cts equiv
Spot	360.90	670.00
3 months	368.80	682.40
6 months	377.00	695.05
12 months	393.60	721.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1850	147	112	76	150
1900	120	93	98	180
1950	97	77	125	212
Aluminium (99.5%)	**Calls**		**Puts**	
1800	141	114	54	105
1850	112	92	75	132
1900	87		100	
Copper (Grade A)	**Calls**		**Puts**	
2500		255	147	286
2650	336	198	211	376
2800	265			

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

A little more intervention

THE DOLLAR was little changed after a very quiet day's trading in Europe.

Intervention by central banks failed to lift the dollar, but helped prevent a further slide, *although dealers generally* showed little enthusiasm to move the currency in either direction.

Dealers in New York reported intervention by the Federal Reserve, but this was only on a modest scale. This followed *another round of co-ordinated* intervention by central banks in Europe, including the West German Bundesbank, Swiss National Bank; Dutch Central Bank; Bank of France and Bank of Italy.

All members of the Group of Seven have given sizeable support *to the dollar this week*, according to Mr Helmut Schlesinger, Bundesbank vice president.

Underlying sentiment remained very bearish as far as the dollar was concerned, but traders appeared *only* concerned *in squaring any outstanding* positions before the year end.

US leading indicators fell 1.7 p.c. in November, after a revised 0.2 p.c. gain in October, but there was no reaction from the market.

The dollar fell to DM1.5940 from *DM1.5955*; to Y123.35 from Y123.45; and to FFr5.3950 from FFr5.4025, but rose to SFr1.2890 from SFr1.2880.

On Bank of England figures the dollar's index was unchanged at 91.8.

STERLING-Trading range against the dollar in 1987 is 1.8610 to 1.4710. November average 1.7770. Exchange rate index was unchanged at 75.6, compared with 72.3 six months ago.

Sterling had a slightly softer tone, but no more interest was shown in the pound than any *other major currency*.

North Sea oil prices rose above $18 a barrel, but had no impact on currency trading.

The pound fell 20 points to $1.8585-1.8595 and also declined to DM2.9625 from Dm2.97; to Y229.25 from Y229.75; to *FFr10.03 from FFr10.0550*; and to SFr2.3950 from SFr2.3975.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.5940. November average 1.6809. Exchange rate index 152.2 against 147.0 six months ago.

The D-Mark was little changed against the dollar, as dealers decided against putting further downward pressure on the US currency after another round of central bank intervention.

The dollar closed at DM1.5955 in Frankfurt, compared with *DM1.5950 on Tuesday. The* Bundesbank joined other central banks *in* open market dollar support, but did not intervene when the dollar was fixed at DM1.5969 in Frankfurt, compared with DM1.5906 on Tuesday.

Trading was in a narrow range, with the fixing around the middle of the morning's movement. Central bank intervention was said to have put a temporary brake on the dollar's fall, but did not have a major impact.

Recent intervention by the Bundesbank was reflected in a rise of DM300m in West Germany's gross currency reserves to a record DM128.2bn during the week to December 23.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 123.45. November average 135.90. Exchange rate index 244.6 against 217.6 six months ago.

The yen finished unchanged against the dollar in quiet Tokyo trading. The Bank of Japan was estimated to have bought $200m to $300m during the morning at a level of Y123.60 and a similar amount in the afternoon at Y123.50, but dealers said the intervention seemed weak and half hearted.

The dollar closed unchanged at Y123.50, and also little changed from the overnight New York finish of Y123.45.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1450	+1.62	+0.96	±1.5344
Danish Krone	7.85212	7.94760	+1.22	+0.54	±1.5404
German D-Mark	2.05853	2.06037	+0.09	-0.59	±1.0981
French Franc	6.90403	6.99104	+1.26	+0.58	±1.3674
Dutch Guilder	2.31943	2.31756	-0.08	-0.76	±1.5012
Irish Punt	0.768411	0.777236	+1.15	+0.47	±1.6684
Italian Lira	1483.58	1521.70	+2.57	+2.33	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

STERLING INDEX

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Luxembourg	62.15-62.25	33.40-33.50
Malaysia	4.6190-4.6310	2.4880-2.4930
Mexico	4138.90-4199.10	2230.00-2260.00
N. Zealand	2.8225-2.8275	1.5210-1.5230
Saudi Ar.	6.9495-6.9555	3.7495-3.7505
Singapore	3.6950-3.7065	1.9900-1.9950
S. Af (Cm)	3.5740-3.5900	1.9280-1.9335
S. Af (Fn)	5.6640-5.8425	3.0535-3.1495
Taiwan	52.95-53.20	28.50-28.60
U.A.E.	6.8065-6.8125	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Trading in a narrow range

US TREASURY bond futures traded quietly within a narrow range yesterday, showing little or no reaction to US economic news.

The market expected a fall in *US leading indicators*, and although a decline of 1.7 p.c. contrasted with a rise of 0.2 p.c. in October, there was not much movement in bonds on the news. A fall of 1.2 p.c. in November US home sales had a similar lack of impact, with most traders *remaining on the sidelines*.

Lower Eurodollar rates and a steadier dollar provided some support but only on a limited scale.

March Treasury bonds opened higher at 88-22 on Liffe, reflecting overnight gains in Chicago, but the contract fell back, and lacked any further impetus from US markets. The March contract touched a low of 88-07, *and closed only slightly higher at* 88-12, compared with 88-11 on Tuesday.

Long term gilts and three-month sterling deposit futures lost ground on Liffe yesterday, in dull trading ahead of the year-end.

Volume was thin, with many traders already running square books and seeing no reason to become involved with the market until the New Year. March gilts opened lower at 118-10, and lost ground in line with a slight weakening of sterling and a pick up in share prices.

After touching a peak of 119-12, gilts retreated to close at 118-11, against the previous settlement of 119-11.

December FTSE 100 index futures opened higher at 174.50, which was also the day's low. The contract moved up to a high of 176.20, and closed at 175.50, compared with 173.20 on Tuesday.

March three-month sterling deposit futures opened at 91.10, the day's high and fell to close just above the day's low at 90.94, against 91.06 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
116	3.20	4.33	0.62	2.19
118	2.08	3.27	1.50	3.13
120	1.14	2.34	2.56	4.20
122	0.49	1.52	4.27	5.38
124	0.24	1.17	6.02	7.03
126	0.13	0.55	7.55	8.41
128	0.09	0.36	9.51	10.22
130	0.05	0.23	11.47	12.09

Estimated volume total, Calls 540 Puts 451
Previous day's open int: Calls 29209 Puts 14925

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	6.53	6.44	0.29	1.10
84	5.10	5.18	0.50	1.48
86	3.29	4.05	1.05	2.35
88	2.17	3.04	1.57	3.34
90	1.30	2.15	3.06	4.45
92	0.58	1.38	4.34	6.04
94	0.32	1.07	6.08	7.37
96	0.17	-	7.57	-

Estimated volume total, Calls 13 Puts 10
Previous day's open int: Calls 879 Puts 772

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Jan	Calls-Last Feb	Puts-Last Jan	Puts-Last Feb
15000	27.46	28.40	0.16	1.10
15250	-	-	-	-
15500	22.70	24.13	0.40	1.83
15750	-	-	-	-
16000	18.19	20.17	0.89	2.87
16250	-	-	-	-
16500	14.06	16.57	1.76	4.27
16750				

Estimated volume total, Calls 1 Puts 10
Previous day's open int: Calls 7 Puts 22

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE- EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7801	0.7815	0.7790	0.7819
Jun	0.7875	0.7891	0.7872	0.7899
Sep	0.7970	-	0.7970	0.7985
Dec				0.8069

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Mar	248.10	249.70	247.05	246.30
Jun	249.80	250.25	248.80	247.85
Sep	251.90	-	-	249.50

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.8530	1.8530	1.8502	1.8555
Jun	1.8465	1.8465	1.8437	1.8495
Sep	1.8400	1.8400	1.8400	1.8445

Estimated volume 40(10)
Previous day's open int. 101(96)

MONEY MARKETS

Large shortage

THERE WAS very little change in interest rates on the London money market yesterday. An easier tone in early trading was soon checked as sterling lost a little ground to the dollar and D-Mark, and share prices rose.

The prospects for lower UK bank base rates appear to be tied to the performance of the pound and the equity market, with many observers believing strong UK growth and a current account deficit are more likely to produce higher base rates at some time in the New Year.

These doubts left three-month interbank unchanged at 8 9/16-8 11/16 p.c.

UK clearing bank base lending rate 8½ per cent from December 4

The Bank of England initially forecast a money market shortage of £1,200m, but revised this to £1,100m at noon and to £1,150m in the afternoon. Total help of £1,073m was provided.

An early round of assistance was offered and at that time the authorities bought £181m bills outright, by way of £136m bank bills in band 1 at 8⅜ p.c.; £25m bank bills in band 2 at 8⅜ p.c.; £8m bank bills in band 3 at 8⅜ p.c.; and £12m bank bills in band 4 at 8⅜ p.c.

In further operations during the morning the Bank of England purchased £448m bills, including £438m outright, through £194m bank bills in band 1 at 8⅜ p.c.; £63m bank bills in band 2 at 8⅜ p.c.; £15m bank bills in band 3 at 8⅜ p.c.; and £166m bank bills in band 4 at 8⅜ p.c.

Another £10m bills were bought for resale to the market *in equal amounts on January 18* and 19 at a rate of 8 7/16 p.c.

In the afternoon the authorities bought £384m bills outright, by way of £189m bank bills in band 1 at 8⅜ p.c.; £60m bank bills in band 2 at 8⅜ p.c.; £12m bank bills in band 3 at 8⅜ p.c.; and £123m *bank bills in band 4* at 8⅜ p.c.

Bills maturing in official hands, repayment of late assistance, and a take up of Treasury bills drained £698m, with the unwinding of repurchase agreements on bills absorbing £327m; exchequer transactions *£180m*; and bank balances below target £105m. These outweighed a fall in the note circulation adding £110m to liquidity.

In Frankfurt call money fell to 3 p.c. from from 3.50 p.c., as banks continued to benefit from currency swaps involving the D-Mark and dollar on Monday Bundesbank intervention selling D-Marks for dollar on Tuesday and Wednesday also boosted liquidity.

Call money moved within a wide range and was reported to have been offered at various rates between 2.75 p.c. and 3.20 p.c., but in general hovered around 3 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec 30) 3 months US dollars		6 months US Dollars	
bid 7 3/8	offer 7 1/2	bid 7 3/8	offer 7 1/2

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8.75
Broker loan rate	8.75
Fed.funds	6 5/8
Fed.funds at intervention	6 3/8

Treasury Bills and Bonds			
One month	3.77	Three year	8.03
Two month	5.35	Four year	8.27
Three month	6.01	Five year	8.39
Six month	6.59	Seven year	8.65
One year	7.09	10-year	8.83
Two year	7.81	30-year	8.94

Dec.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	2.95-3.05	3.60-3.75	3.60-3.75	3.60-3.75	3.65-3.80	4.50
Paris	7.8125	8.00	8.3125	8.5625	8.8125	7.75
Zurich	1.00	2.625	-	2.875	-	-
Amsterdam	4.625	4.625	-	4.6875	-	-
Tokyo	4.09375	3.96875	-	-	-	-
Milan	10.375	11.50	-	11.50	-	-
Brussels	6.80	-	-	-	-	-
Dublin	7.50	8.25	8.6875	8.8125	9.25	-

LONDON MONEY RATES

Dec.30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8.75	8.625	8.625	8.9375	9.125	9.375
Interbank Bid	8.375	8.375	8.5625	8.6875	9.00	9.25
Sterling CDs	-	-	8.5625	8.8125	9.00	9.25
Local Authority Deps.	8.375	8.375	8.50	8.875	9.00	9.125
Local Authority Bonds	-	-	8.6875	8.9375	9.125	9.50
Discount Mkt Deps.	8.625	8.50	8.4375	8.375	-	-
Company Deposits	8.75	8.625	8.625	9.00	-	-
Finance House Deposits	-	-	8.6875	8.875	9.125	9.375
Treasury Bills (Buy)	-	-	8.375	8.375	-	-
Bank Bills (Buy)	-	-	8.406250	8.406250	8.8125	-
Fine Trade Bills (Buy)	-	-	9.031250	9.031250	9.4375	-
Dollar CDs	-	-	7.30-7.25	7.40-7.35	7.40-7.35	7.70-7.65
SDR Linked Dep Offer	-	-	6.0625	6.3125	6.375	6.5625
SDR Linked Dep Bid	-	-	5.8125	6.0625	6.125	6.3125
ECU Linked Dep Offer	-	-	6.75	6.875	7.00	7.125
ECU Linked Dep Bid	-	-	6.625	6.75	6.875	7.00

Treasury Bills (sell); one-month 8¼ per cent; three months 8¼ per cent; Bank Bills (sell); one-month 8⅜ per cent; three months 8⅜ per cent; Treasury Bills; Average tender rate of discount 8.2807 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1987. Agreed rates for period January 26 1988 to February 23, 1988, Scheme I: 10.05 p.c., Schemes II & III: 10.09 p.c. Reference rate for period December 1, 1987 to December 31, 1987, Scheme IV: 8.830 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9.5 from December 1, 1987; Bank Deposit Rates for sums at seven days notice per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.50 per cent; one-three months 8.50 per cent; three-six months 8.50 per cent; six-nine months 8.50 per cent; nine-twelve months 8.50 per cent; Under £100,000 per cent from November 24. Deposits withdrawn for cash 5.00 per cent.

INTERNATIONAL APPOINTMENTS

CBOE names vice-chairman for 1988

LOCAL directors of the Chicago Board Options Exchange, pioneer of listed options and the world's largest options marketplace, *unanimously nominated* Mr Thomas Bond for the posts of vice-chairman of the Exchange and chairman of the executive committee for 1988.

As the sole announced candidate, Mr Bond, 45 and a member of CBOE since 1975, has now been duly declared the successor to Mr Gary P. Lahey, who has served two terms as vice-chairman. Mr Bond, an independent market maker, has also been elected to a two-year term as at-large director for CBOE.

"The year ahead promises many challenges and opportunities for CBOE," Mr Bond believes, "and doing what we can to bolster investor confidence in the marketplace will be one of our top priorities. October 19 (when the Dow Jones Industrial Average dropped a record 508 points) opened up a new era for this industry, one in which steadily rising prices and trading volume cannot be taken for granted."

Among the challenges ahead, Mr Bond cites building Exchange trading volume by widening the base of options users in the brokerage and member firm community. "Education is more important than ever before," he said, "so I see the role of our Options Institute being even greater than in the past.

"Also facing the Exchange and the industry are SEC regulatory issues, multiple listing, margins and new product development. Going forward with the systems upgrade programme and our joint venture with the Chicago Board of Trade are definitely top priorities. How we deal with these issues will be critical in the development of new opportunities for our short and long-term growth."

● Members of the CBOE have also elected a further five new directors to serve on its board.

Elected to three-year terms as *member firm directors* were: Donald E. Nickelson, a CBOE board member since 1981 and president of PaineWebber; Mr John A. Wing, also on the CBOE board since 1981, and president and chief executive officer of Chicago Corporation.

Elected to three-year terms as on-floor directors were: Mr N. Blair Hull, a CBOE member since 1979 and general partner of Hull Trading; Mr Arnold Zousmer, a member of CBOE since 1975 and president of Atlas Securities.

Mr Frederick P. Quinn was elected to a three-year term as at-large director. He has been a CBOE member since 1978 and is principal of Goldberg Securities.

New Montedison chairman makes senior changes

BY DAVID LANE IN MILAN

RAUL GARDINI is making his presence felt at Montedison, the Milan chemicals company.

The impact of Mr Gardini's assumption of the chairmanship is visible in the boardroom changes which have recently been announced.

Sergio Cragnotti, 47, has been appointed deputy chairman of Montedison. He is currently deputy chairman of Ferruzzi Agricola *Finanziaria, the parent company* of the Ravenna agri-industry conglomerate headed by Mr Gardini. Mr Cragnotti also holds board appointments in other subsidiaries of the Ferruzzi group.

Renato Picco, 53, has been appointed to Montedison's executive committee. Mr Picco is managing director of Eridiana, the Italian sugar subsidiary of the Ferruzzi group. He holds several other board appointments in Ferruzzi companies.

However, while the two directors with Ferruzzi pedigree move ahead, Mr Gardini has also shown his confidence in two long-standing Montedison men. When Mario Schimberni was ousted from Montedison's chairmanship at the end of November, there was speculation about the roles of Giorgio Porta and Lino Cardarelli under Mr Gardini.

The situation is now clear. Mr Porta, 51, has been made a deputy chairman with special responsibility for Montedison's industrial activities. Mr Cardarelli, 53, has been confirmed as managing director with responsibility for the financial policy of the Montedison group.

Salvatore Ligresti, Giuseppe Garofano and Carlo Vannini join Montedison's board, their appointments completing the recent set of changes.

Barclays Bank appoints credit executive for North American sector

BARCLAYS BANK, one of the "Big Four" UK clearing banks, has appointed Mr Edward F. Hill as chief lending officer – North America, a newly created position at the bank's North American head office on Wall Street.

The announcement was made by Mr John A. Kerslake, Barclays' chief executive officer – North America. Mr Hill, 51, assumes responsibility for setting credit policy and for granting credit approvals for all Barclays' North American banking and finance operations.

Mr Kerslake said: "Today's competitive banking environment makes it more imperative than ever to respond creatively and quickly to customers' credit requirements. This new post enables us to be even more responsive to our customers. Eddie Hill's strong credit background coupled with his experience in the North American market put him in good stead for this new responsibility".

Mr Hill, who joined Barclays in 1952, moved to its US operations in 1984, where he has been serving as chief operating officer for North America, with much of his responsibilities involving lending authority. The post of chief operating officer will not be filled.

Prior to his North American posting, Mr Hill was Barclays' deputy general manager – international lending, and was based in London. Before that he served as regional general manager for Barclays' Caribbean and Latin American operations.

About 14 per cent of Barclays' total assets are located in North America.

Motorola's leadership scheme progresses

MOTOROLA, the second-largest US semiconductor producer, is implementing the second phase of its transition plan for the next generation of chief executive office leadership from the start of the new year.

Under the plan, Mr Robert W. Galvin remains chairman of the board, the top office in the company. Mr William J. Weisz continues as vice-chairman, but relinquishes the post of chief executive officer and becomes an officer of the board.

Mr John F. Mitchell, currently president and chief operating officer, also becomes a vice-chairman and officer of the board. Mr George M.C. Fisher is elevated to president and chief executive officer from his present positions of senior executive vice-president and deputy to the Chief Executive Office.

Mr Gary L. Tooker retains the role of senior executive vice-president but moves up to *chief operating officer from chief* corporate staff officer.

Succeeding Mr Tooker as chief corporate staff officer is Mr Christopher B. Galvin, currently corporate vice-president and general manager of the Florida-based paging unit of the communications sector. He was also elected a senior vice-president.

Before the first phase of the transition went into effect on July 1, 1986, Mr Fisher had been senior vice-president and assistant general manager of the semiconductor products sector.

Future general manager for Zurich Insurance

BY JOHN WICKS IN ZURICH

WITH EFFECT from May 1, Zurich Insurance is appointing as general manager Mr Don Menzies, who will be based at the company's Swiss headquarters.

He is to set up a new corporate support division for life and financial services, as well as assuming responsibility for group operations in the UK, Australia, and the Middle and Far East.

Mr Menzies' position as managing director of Zurich's Australian operations will be taken over by Mr Peter Eckert, currently head of the Portuguese subsidiary Metropole. Mr Eckert will, in his turn, be succeeded by Mr Werner Brunner on March 1

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 500	64	10.50 A	10	26.50	10	36.50	$ 484.75
GOLD C	$ 520	142	5 A	4	18 A	1	29	$ 484.75
GOLD C	$ 540	–	–	30	11	25	21.50	$ 484.75
		Jan. 88		Feb. 88		Mch. 88		
EOE Index C	Fl. 160	10	14	–	–	–	–	Fl. 171.61
EOE Index C	Fl. 165	–	–	7	14.80	5	17.50	Fl. 171.61
EOE Index C	Fl. 170	30	7	17	11	1	14	Fl. 171.61
EOE Index C	Fl. 175	58	4.30	–	–	–	–	Fl. 171.61
EOE Index C	Fl. 180	91	3.10	1	7.50 A	–	–	Fl. 171.61
EOE Index C	Fl. 185	75	1.50	7	5.50	–	–	Fl. 171.61
EOE Index C	Fl. 190	14	0.60 B	–	–	–	–	Fl. 171.61
EOE Index C	Fl. 195	80	0.60 A	–	–	–	–	Fl. 171.61
EOE Index P	Fl. 155	6	1	10	3	–	–	Fl. 171.61
EOE Index P	Fl. 160	15	1.50	63	5.10	–	–	Fl. 171.61
EOE Index P	Fl. 165	43	2.70	5	7	–	–	Fl. 171.61
EOE Index P	Fl. 170	29	5	5	8.50	1	11	Fl. 171.61
EOE Index P	Fl. 175	168	7.50	3	11	1	12.50 B	Fl. 171.61
EOE Index P	Fl. 180	2	11 A	10	14	2	16.50	Fl. 171.61
EOE Index P	Fl. 200	13	28.50	–	–	–	–	Fl. 171.61
£/Fl C	Fl. 330	15	3.90	–	–	–	–	Fl. 333.46
$/Fl C	Fl. 180	19	2.05	50	3.50	8	4.30	Fl. 179.50
$/Fl C	Fl. 185	11	0.80	4	1.70 A	24	2.50	Fl. 179.50
$/Fl C	Fl. 190	16	0.05	–	–	28	1.40	Fl. 179.50
$/Fl C	Fl. 200	–	–	–	–	8	0.50	Fl. 179.50
$/Fl P	Fl. 175	–	–	10	2.40	19	3.30	Fl. 179.50
$/Fl P	Fl. 180	139	2.50 A	19	4.60	75	5	Fl. 179.50
$/Fl P	Fl. 185	49	5.80 B	25	7.90	23	8.20	Fl. 179.50
$/Fl P	Fl. 190	15	10.50	–	–	1	11.70	Fl. 179.50
$/Fl P	Fl. 195	15	15.50	–	–	–	–	Fl. 179.50
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl. 40	335	1.10	384	3	66	3.70 B	Fl. 39.90
ABN P	Fl. 40	110	1.50	247	3	38	4	Fl. 39.90
AEGON C	Fl. 55	70	5	6	7.30	5	9.20	Fl. 58.70
AKZO C	Fl. 90	76	1.80	–	–	11	9	Fl. 86.10
AKZO P	Fl. 150	–	–	45	63	128	67	Fl. 86.10
AMEV C	Fl. 35	–	–	10	5.50	–	–	Fl. 38.50
AMEV P	Fl. 60	10	22.50	2	22	10	22.50	Fl. 38.50
AMRO C	Fl. 60	106	1.40	13	4	–	–	Fl. 59.90
AMRO P	Fl. 60	33	2	–	–	–	–	Fl. 59.90
ELSEVIER C	Fl. 45	32	1.40	27	3.20	9	5	Fl. 42
ELSEVIER P	Fl. 40	4	1	11	4.20	2	5.50	Fl. 42
GIST-BROC. C	Fl. 35	40	0.10	–	–	–	–	Fl. 22.40
GIST-BROC. P	Fl. 22.50	–	–	55	2.70	174	4	Fl. 22.40
HEINEKEN C	Fl. 180	37	0.10	–	–	–	–	Fl. 125
HEINEKEN P	Fl. 120	22	2.30	–	–	–	–	Fl. 125
HOOGOVENS C	Fl. 27.50	25	1.60	–	–	–	–	Fl. 25.70
HOOGOVENS P	Fl. 25	61	1.20	26	3.10	–	–	Fl. 25.70
KLM C	Fl. 35	34	0.30	55	1.70	11	2.90	Fl. 29.30
KLM P	Fl. 45	–	–	–	–	49	17	Fl. 29.30
NEDLLOYD C	Fl. 130	13	8.30	–	–	–	–	Fl. 131.50
NEDLLOYD P	Fl. 150	–	–	–	–	25	32	Fl. 131.50
NAT.NED. C	Fl. 55	19	0.50	139	2.80	3	4.50	Fl. 51.90
NAT.NED. P	Fl. 50	20	1.20	37	3	–	–	Fl. 51.90
PHILIPS C	Fl. 30	34	0.30	152	1.40	27	2.30	Fl. 26.70
PHILIPS P	Fl. 30	141	3.50	46	5	–	–	Fl. 26.70
ROYAL DUTCH C	Fl. 220	1	0.70 A	63	4.40	–	–	Fl. 199.30
ROYAL DUTCH P	Fl. 200	65	3.70	46	10.50	6	15	Fl. 199.30
ROBECO C	Fl. 100	30	0.20	–	–	–	–	Fl. 82.30
UNILEVER C	Fl. 108	314	1.30	–	–	–	–	Fl. 101.90
UNILEVER P	Fl. 100	302	2.60	4	7.20	7	10	Fl. 101.90

TOTAL VOLUME IN CONTRACTS : 13,224

A=Ask B=Bid C=Call P=Put

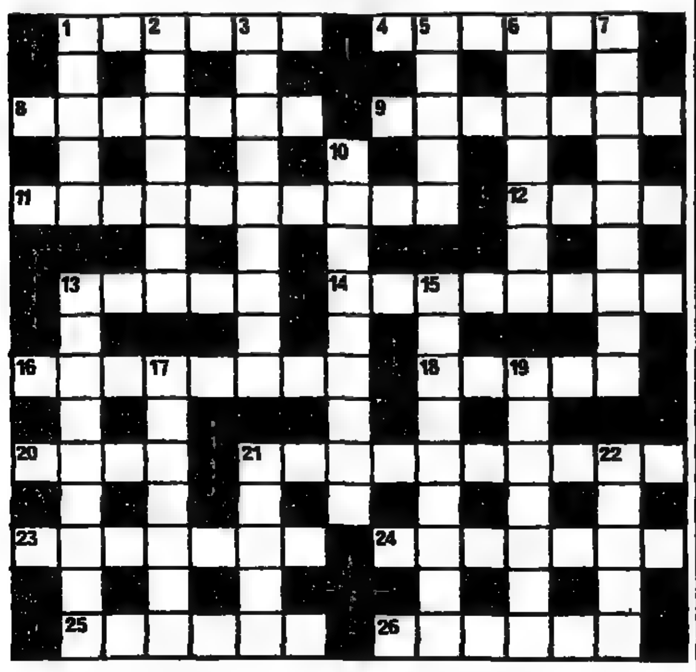
BASE LENDING RATES

	%
ABN Bank	8½
Adam & Company	8½
AAB - Allied Arab Bk	8½
Allied Dunbar & Co	8½
Allied Irish Bank	8½
American Exp.Bk	8½
Amro Bank	8½
Henry Ansbacher	8½
ANZ Banking Group	8½
Associates Cap Corp	10
Authority Bank	8½
B & C Merchant Bank	8½
Banco de Bilbao	8½
Bank Hapoalim	8½
Bank Leumi (UK)	8½
Bank Credit & Comm	8½
Bank of Cyprus	8½
Bank of Ireland	8½
Bank of India	8½
Bank of Scotland	8½
Banque Belge Ltd	8½
Barclays Bank	8½
Benchmark Tst Ltd	8½
Beneficial Trust Ltd	9½
Berliner Bank AG	8½
Brit Bk of Mid East	8½
● Brown Shipley	8½
Business Mtge Tst	9
CL Bank Nederland	8½
Central Capital	8½
● Charterhouse Bank	8½
Citibank NA	8½
City Merchants Bank	8½
Clysedale Bank	8½
Comm.Bk.N.East	8½
Consolidated Cred	8½
Co-operative Bank	*8½
Cyprus Popular Bk	8½
Duncan Lawrie	8½
Equat'l TstC'p plc	8½
Exeter Trust Ltd	9
Financial & Gen. Sec.	9
First Nat. Fin. Corp.	10
First Nat. Sec. Ltd.	10
● Robert Fleming & Co.	8½
Robert Fraser & Ptrs.	9½
Girobank	8½
Grindlays Bank	8½
● Guinness Mahon	8½
HFC Trust & Savings	8½
● Hambros Bank	8½
Heritable & Gen Inv Bk.	8½
● Hill Samuel	§8½
C. Hoare & Co.	8½
Hongkong & Shangh	8½
Lloyds Bank	8½
Meghraj Bank Ltd	8½
Midland Bank	8½
● Morgan Grenfell	8½
Mount Bnkg Corp.	8½
Nat Bk. of Kuwait	8½
NatWestminster	8½
Northern Bank Ltd	8½
Norwich Gen. Trust	8½
PK Finans. Intl(UK)	9
Provincial Trust Ltd	9½
R. Raphael & Sons	8½
Roxburghe G'rantee	10½
Royal Bk of Scotland	8½
Royal Trust Bank	8½
Smith & Williamson Secs.	8½
Standard Chartered	8½
TSB	8½
UDT Mortgage Exp	♦10.2
United Bk of Kuwait	8½
United Mizrahi Bank	8½
Unity Trust Bank Plc	8½
Western Trust	8½
Westpac Bank Corp.	8½
Whiteaway Laidlaw	9
Yorkshire Bank	8½

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Sunwise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,518

SET BY GRIFFIN



ACROSS

1 Benefit through getting back into bed (6)
4 Wild time in camp variety (6)
8 Kept a basin for fish (7)
9 Having nothing missing question fresh investigation (7)
11 Breaks into turps tin Elizabeth brought in (10)
12 Kind secretaries usually do (4)
13 Having kiss last night are back round for more! (5)
14 Leading chef in great form providing meals (8)
16 Prefers taking one's ring off for portrait (8)
18 In fund Idi Amin opened (5)
20 Drop it after order (4)
21 Rod to support fairground ride (10)
23 A Parisian chats freely about stout (7)
24 Fall for music centre in proper case (7)
25 When hard it's bad luck! (6)
26 Cross after princess gets key to extension (6)

DOWN

1 Mountain climbing in open country (5)
2 D-don't smash compiler during scrap! (7)
3 Typified by a form of canine art (9)
5 She has a dog-end before nurse returns (5)
6 Ring copper about rent misplaced by teller (7)
7 Delayed setting up "No parking" in various depots (9)
10 Where astronauts eat chips and peas, cooked (9)
13 Around midnight it came in, strange and mysterious (9)
15 Unusual turn once seen outside Holyhead club (9)
17 Push out Tex, awfully discourteous (7)
19 Sudden collapse of French cable production (7)
21 Stores with no time for hosiery (5)
22 Switch duck into boat (5)

Solution to Puzzle No.6,517

EXIGUOUS POTATO
L T N N R C V
EXAMINER TIRADE
V L S D G D R
EPILOGUE CINEMA
N C N C R N M W
NATURALISE
C H M T M L C D
APOLOGETIC
L N D D N C M S
IDOLUM PALATINE
G L L T R L V
UVULAR MINUTIAE
L L T V S E R
ACUMEN RESOLUTE

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6992/4/5

Scimitar Global Gth Ac	27.4	29.2	—	—
Do. Income	27.3	29.1	—	0.19
Scimitar European Acc	21.1	22.5	—	—
Do. Income	21.1	22.5	—	0.11
Scimitar UK Eq Inc Acc	[illegible]	[illegible]	—	—
Do. Income	33.6	35.4	—	5.66
UK Cap Gth Acc	22.2	[illegible]	—	0.75
Scimitar Pac Basin Acc	25.9	27.6	—	—
Scimitar Mangd Exempt*	[illegible]	[illegible]	—	—

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1052

Intal Income Units	125.0	133.0	—	3.30
Intal Accum Units	191.2	203.4	—	3.30
UK General Acc	36.4	38.9	+0.7	3.11
UK General Inc	35.0	37.4	+0.6	3.11
American	25.6	27.4	—	0.64
European	33.5	35.8xd	−0.4	0.94
Japan	48.9	51.9xd	−0.2	—
Technology	32.7	35.0	+0.3	1.42
Performance Trusts				
Far East Perf Tst	15.3	16.4	—	0.64
High Inc Perf Tst Inc	23.0	24.6xd	+0.3	5.57
High Inc Perf Tst Acc	23.5	25.1xd	+0.3	5.57
Worldwide Tact Perf Tst	25.7	27.5	+0.2	—

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	209.3	224.3	+3.7	2.94
Columbus (America)	114.8	122.8	−0.4	1.45
Marco Polo (Pacific)	184.5	197.4	+0.1	0.43
Da Vinci (European)	204.2	218.4	−1.1	1.95
Drake	48.3	51.75	+0.2	3.01

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	192.4	204.7	+3.3	3.02
UK Smllr. Cos. Equity	192.4	204.7	+3.2	2.45
UK Special Situations	54.7	58.2	+0.6	3.73
Income Plus	49.6	52.8	+0.4	6.40
European	152.9	162.7	−0.3	1.92
Far Eastern	47.1	50.2	−0.8	2.83
Japanese †	45.9	48.9	—	0.25

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assoc.	360.7	379.8	—	-
Eb'r Ph. Eq.	314.7	334.4	—	
Pension Plan Funds				
Phoenix				
UK Equity Acc.	157.6	165.8	+2.4	-
International Acc.	117.9	124.1	+3.5	-
Property Acc.	121.7	128.1	—	-
Fixed Interest Acc.	149.0	156.8	-0.1	-
Money Acc.	134.6	141.6	+0.7	-
Bldg. Soc. Link Acc.	131.6	138.5	—	-
Special Mngd. Acc.Q	139.5	146.8	+1.8	
Phoenix/Framlington				
Intnl. Growth Acc.	78.6	82.7	+0.7	
Amer. & Gen. Acc.	70.9	75.6	+0.1	
Capital Tst. Acc.	161.7	170.2	+2.6	-
Japan & Gen Acc	156.4	164.6	+3.9	-
American Turn. Acc.	69.5	73.1	-1.0	-
Recovery Tst. Acc.	153.2	161.2	+2.4	-
Special Mngd Acc.	129.6	136.4	+2.2	-
Phoenix/GT				
International Acc.	113.2	119.1	-3.4	
US & General Acc	83.3	87.6	-3.4	-
Amer Spec Sits Acc	58.3	61.3	-2.4	-
Japan & General Acc	149.1	156.9	-5.2	
Far East & Gen. Acc.	121.8	128.2	-5.0	-
UK Capital Acc	158.9	167.2	-4.2	-
European Acc	123.5	130.0	-5.0	-
Special Mngd. Acc.	116.3	122.4	-3.3	

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	260.4	274.2	-2.4	-
Max Pens Int & Cap Fds	332.4	349.9	-3.7	-
Money Fund	110.6	116.5	+0.1	-
Pens. Mngd Fd (Init)	83.0	87.4	—	-
Pens Mngd Fd (Acc)	92.2	97.1	—	-
Pens FT30 Fd (Init)	124.3	130.9	-2.6	-
Pens FT30 Fd (Acc)	138.3	145.6	-2.8	-
Pens O'seas. MgFd(Init)	49.9	52.6	—	-
Pens O'seas. MgFd(Acc)	55.5	58.5	—	-
Pens Fxd Int. Fd (Init)	104.9	110.5	—	-
Pens Fxd Int Fd (Acc)	116.6	122.8	—	-
Pens Deposit Fd (Init)	100.5	105.8	+0.1	-
Pens Deposit Fd (Acc)	111.8	117.7	+0.2	

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

American	80.0	85.0	+2.0	-
Building Soc. Fd.	157.0	166.0	—	-
Balanced	219.0	231.0	+1.0	-
Deposit	157.0	166.0	—	-
European	116.0	123.0	-1.0	-
GT Managed	138.0	146.0	+1.0	-
Gartmore Mngd	92.0	97.0	-1.0	-
German	95.0	100.0	+1.0	-
Gilt	158.0	167.0	—	-
High Inc.	109.0	115.0	—	-
International Equity	145.0	153.0	+1.0	-
Japan	185.0	195.0	-1.0	-
Oppenheimer Mngd			—	-
Property	233.0	246.0	—	-
R. W. Imperial Gold	104.0	110.0	—	-
UK Equity	272.0	287.0	+3.0	-
Pension Funds				
American	76.0	80.0	—	
Building Soc. Fd.	146.0	154.0	—	-
Balanced	158.0	167.0	—	-
Deposit	145.0	153.0	—	-
European	115.0	122.0	—	-
GT Managed	146.0	154.0	—	-
Gartmore Mngd	93.0	98.0	—	-
German	90.0	95.0	—	-
Gilt	125.0	132.0	—	-
International Equity	91.0	96.0	—	-
Japan	127.0	134.0	—	-
Oppenheimer Mngd			—	-
Property	171.0	180.0	—	-
UK Equity	221.0	233.0	—	-

Property Equity & Life Ass. Co
Bazzer Ave, Southend SS2 6QH 0702 333433

Int Man Pension Fd	111.2	117.0	—	-
Int Man Crncy Bd Fd		125.7	—	-
Int Man Crncy Bd Fd(z)		115.6	—	-
Flexible Prop. Bd. Fd		148.9	—	-
Flexible Money Bd. Fd		298.7	—	-
Special Man. Inv. Fd		118.5		-

Property Growth Assur Co Ltd
Sun Alliance House, Horsham 0403 641411

Property Fund		352.3	—	-
Property Fund (A)		337.4	—	-
Agricultural Fund		564.8	—	-
Agric. Fund (A)		542.8	—	-
Abbey Nat. Fund		286.0	—	-
Abbey Nat. Fd. (A)		286.9	+0.1	-
Investment Fund		197.7	+2.3	-
Investment Fund (A)		191.7	+2.2	-
Equity Fund		717.9	+9.8	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Dec 23	190.4	198.4	—	

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	421.0	443.2	—	-
Equity Fd.	858.9	904.2	—	-
Intnl. Fd.	290.8	306.2	—	-
Fixed Int. Fd.	350.7	369.2	—	-
Prop Fd.	299.8	315.6	—	-
Cash Fd.	232.1	244.4	—	-
Pacific Basin Fd.	154.6	162.8	—	-
North American Fd.	116.3	122.5	—	-
European Fd.	131.3	138.3	—	-
Holborn Balanced Grth Fd	-	-	—	
Holborn Strategic Grth Fd	-	-	—	

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	442.7	466.7	—	-
Equity	630.9	664.2	—	-
Global Equity	179.4	188.9	—	-
Fixed Interest	353.5	372.2	—	-
Property	299.2	315.0	—	-
Cash	136.3	143.5	—	-
Index Linked Gilt	159.9	168.4	—	-
Guaranteed	9.25	10.25	—	-
International Money	185.4	195.2	—	-
North American Fd	50.2	52.9	—	-
Japanese Fund	98.19	103.3	—	-
European Fund	68.5	72.2	—	-
Special Situations Fd.	79.2	83.4	—	-
Communications Fund	68.4	72.0	—	-
Smaller Cos Fund	81.7	86.0	—	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Dec 23	£117.59	121.10	—	-
Equity Fund Dec 23	£125.98	129.82	—	-
Intnl Fund Dec 23	£19.54	20.19	—	-
Intl Bond Fd Dec 23	£10.04	10.18	—	-
Fixed Int Dec 23	£64.64	65.47	—	-
Index Linked Dec 23	£48.27	48.87	—	-
Property Fund Dec 23	£76.98	81.64	—	-
Cash Fund Dec 23	£19.9540	19.93900	—	-
Pru-Linked Retirement Plan				
Managed Fd Dec 30	291.6	303.8	-3.3	
Cash Fund Dec 30	170.8	178.0	+2.0	
Prudential Pensions Investment Account				
Pens Man Fd Dec 30	120.6	127.0	+1.8	
Pens UK Eq Fd Dec 30	216.8	228.3	+5.2	-
Pens IU Fd Dec 30	137.5	144.8	+3.3	-
Pens Fxd Dec 30	149.0	156.9	+0.2	-
Pens Index Lk Dec 30	122.7	129.2	-0.4	-
Pens Cash Fd Dec 30	111.9	117.7	+0.1	-

Regency Life Assurance Co Ltd
55-57 High Holborn, WC1V 6DU. 01-831 7481

Aggressive Ptflo Fd.	99.4	104.6	+1.0	-
Balanced Ptflo Fd.	268.3	282.4	+1.9	-
Cautious Ptflo Fd.	109.9	115.0	+0.8	-
Elite Fund	95.5	100.5	+1.5	-
European Fund	72.3	76.0	-4.0	-
Far East Fund	92.0	96.81	-3.3	-
Fixed Interest Fund	240.7	253.3	+0.8	-
International Fund	205.7	216.5	-8.1	-
Money Fund	163.5	172.0	+0.0	-
N. American Fd	85.0	89.4	+0.0	-
Property Fund	334.2	351.7	+5.9	-
UK Equity Fd	329.4	346.7	+4.6	-
A.I.M. Brwln Dipln Fd	81.2	85.5	-1.4	-
Ashlands Sel. Inv. Fd.	95.4	100.4	-1.1	-
Chart Safety First Bd.	103.4	108.8	+0.1	-
Conquest Fund	67.4	70.9	+0.0	-
Exec Master Fd	82.2	86.5	-0.9	-
Hardwick Growth Fd	100.9	106.2	-0.7	-

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

Deposit Acc Fd	112.9	118.9	—	-
Equity Acc Fd	247.5	260.5	—	-
Managed Acc. Fd	227.1	239.1	—	-
Prop Fd (1st Issue)	-	457.3	—	-
Prop Acc Fd (2nd Iss)	144.9	152.6	—	-
Unit Trust Mn. Fd	[illegible]	91.3	—	-
RL Pension Funds				
Deposit Acc	139.5	146.8	—	
Equity Acc	180.4	189.9	—	
Fixed Int Acc	144.8	152.5	—	-
Gilt Indx Lnk Acc	114.9	120.9	—	
Managed Acc	213.9	225.2	—	

Royal Heritage Life Assurance Ltd—Contd.

MI Fix. Servs.	85.5	90.0	—	
Richards, Longstaff	84.4	88.9	—	-
Optimum PIP	100.7	106.0	—	-
P W. W'wide Ops.	88.4	93.1	—	-
B.P.S. Bond	126.0	132.7	+6.0	-
Knightsbridge Cap. Fd.	73.9	77.8	—	-
Campbell Cons Fd.	66.8	70.4	—	-
Stacey Chiltern Fd.	103.6	109.1	—	-
Ethical Invest Fd	115.5	121.6	—	-
Spencer Hse MGD Fd	117.1	123.3	—	-
H&B Comptrust	68.3	71.9	—	-
Southern Counties Mgd	91.9	96.8	—	-
South Coast Enterprise	108.3	114.1	—	-
CFM Managed Grth Fd.	105.6	111.2	—	-
Heritage Mngd Bond	145.8	153.5	—	-
Pygmalion Mngd Fd	160.2	168.7	+3.0	-
Lovett Associates	71.1	74.9	—	-
Greenlaw Int-Mngd. Fd	98.3	103.5	—	-
Falcon Mngd Fd.	149.6	157.5	+4.6	-
Harley Temple C/P	81.4	85.7	—	-
Beneficial Mngd Fd	89.6	94.4	—	-
DBA Worldwide MgdEqFd.	98.4	103.6	—	-
Guy Brunker Fd	98.3	103.5	+2.6	-
Regency Fund	82.2	86.6	—	-
J J Barrington Int.Fd.	88.7	93.4	—	-
CBM Growth Portfolio	83.4	87.8	—	-
G & T Smaller Cos Fd.	98.8	104.1	—	-
The Goldcrest Fund	115.8	121.9	—	-
Castle Inv Inc & Grth	131.7	138.7	—	-
Badminton Growth Fund	74.9	78.9	—	-
John Dandy Fund	77.0	81.1	—	-
Prosperity Fund	92.4	97.3	—	-
GPIS Alpha Fund	81.4	85.7	—	-
Moneywise Inv Ptfolio	91.7	96.6	+3.7	-
Stockington Mngd Fd	99.6	104.9	+2.8	-
DBS Priv Cap & Inc	-	-	—	-
Marcois Mngd Fnd	-	-	—	-
Tax Financial Planning	-	-	—	-
J J Barrington Mngd	80.4	84.7	—	-
LST Managed Inv Port	114.7	120.8	—	-

Royal Life Insurance Ltd
New Hall Place, Liverpool L69 3HS 051-227 4422

Royal Shield Fd.	537.8	569.0	+7.9	-
Royal Life (Unit Linked Assurance) Ltd				
Managed Fund	220.40	231.90	+5.20	
Equity Fund	275.90	290.40	+5.10	
Property Fund	181.90	191.40	+0.30	
International Fund	271.50	285.70	+0.40	
Pacific Basin	173.50	182.60	—	
United States Fund	112.10	117.90	-0.40	

Standard Life Assurance Co Ltd—Contd.

Standard Framlington Funds				
American and General	69.7	73.3	+0.1	
American T'around	73.5	77.3	-0.9	
Capital	187.4	197.2	+2.4	-
Convertible & Gilt	144.6	152.2	+2.5	-
European	94.0	98.9	+2.4	-
Extra Income	223.9	235.6	+3.3	-
Financial	70.5	74.2	+1.1	-
Income & Growth	183.9	193.5	+4.3	-
Intl. Growth	80.8	85.0	+0.6	-
Japan and General	147.0	154.7	+3.4	-
Recovery	156.4	164.6	+2.2	-
Smaller Companies	96.9	101.9	+1.5	-
Managed	124.5	131.0	+1.9	
Standard Gartmore Funds				
American	74.9	78.8	-0.5	
American Sel Opps.	67.5	71.0	-0.6	-
Hedged American	112.0	117.8	+0.6	-
Australian	77.2	81.2	—	-
British	151.5	159.4	+1.0	-
Commodity Shares	76.5	80.5	-1.7	-
European	139.1	146.4	+2.0	-
European Sel Opps.	80.5	84.7	+2.4	-
Extra Income	198.8	209.9	+2.8	-
Far Eastern	129.7	136.5	—	-
Fixed Interest	130.0	136.8	-0.5	-
Frontier Markets	83.6	87.9	—	-
Global	129.1	135.8	—	-
Global Inc & Grth	99.9	105.1	+3.4	-
Gold Share	75.2	79.1	+1.2	-
High Income	196.1	206.4	+1.8	-
Hong Kong	110.4	116.2	—	-
Income	208.9	219.8	+1.7	-
Intl Fixed Interest	104.7	110.2	+1.6	-
Intl Sel Opps.	74.1	77.9	—	-
Japan	137.1	144.3	—	-
Japan Sel Opps	98.1	103.2	—	-
Oil and Energy	92.4	97.2	+1.5	-
Pacific Growth	84.8	89.2	—	-
Practical Inv.	77.5	81.5	+1.4	-
Special Situations	143.4	150.9	-2.3	-
UK Sel Opps.	90.6	95.3	+1.5	-
UK Small Co. Recovery	182.4	192.0	+2.3	-
Worldwide Recovery	90.8	95.5	—	-
Managed	142.4	149.8	+0.7	
Standard Henderson Funds				
Special Situations	146.5	154.2	—	
Recovery	146.7	154.4	—	-
Best of British	85.5	89.9	—	-
Capital Growth	135.5	142.6	—	-
Income and Assets	155.8	164.0	—	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	97[illegible]	Treas 7¾pc 1985–88‡‡	99[illegible]		7.76	8.68
102[illegible]	99[illegible]	Exch 10½pc '88	100[illegible]		10.49	8.62
101[illegible]	98[illegible]	Treas 9¾pc Cv '88	100[illegible]		9.71	8.75
98[illegible]	95[illegible]	Transport 3pc '78–88	98[illegible]		3.05	6.55
101[illegible]	98[illegible]	Treas. 9½pc '88	100[illegible]		9.47	8.95
105[illegible]	101[illegible]	Treas 11½pc 1989	102[illegible]		11.25	9.15
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]		9.46	9.10
96[illegible]	89[illegible]	Treas 3pc 1989	95[illegible]		3.14	6.48
104[illegible]	99[illegible]	Treas 10½pc 1989	101[illegible]		10.32	9.15
103[illegible]	98[illegible]	Exch 10pc 1989	101[illegible]		9.87	9.14
105[illegible]	100[illegible]	Exch 11pc 1989	102[illegible]		10.69	9.13
96[illegible]	89[illegible]	Treas 5pc 1986–89	95½		5.24	7.75
108[illegible]	99[illegible]	Exch 10¼pcCv '89	102[illegible]		9.98	8.61
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	107[illegible]		12.14	9.11
106[illegible]	100[illegible]	Exch 11pc 1990‡‡	103[illegible]		10.64	9.15
110[illegible]	103[illegible]	Exch. 12½pc 1990	106[illegible]		11.72	9.12
92[illegible]	84½	Treas. 3pc 1990	91½		3.28	7.01
100[illegible]	93[illegible]	Treas 8¼pc 1987–90‡‡	99¼		8.31	8.59
52[illegible]	50	Tr. 8pc Cv 1990 (56pd)	51[illegible]		8.16	8.90
105	97½	Treas. 10pcCv 1990	102[illegible]		9.80	9.15
91[illegible]	81[illegible]	Exch 2½pc 1990	88[illegible]		2.81	6.79
110[illegible]	102[illegible]	Treas 11¾pc 1991	106[illegible]		11.08	9.11
95[illegible]	87½	Funding 5¾pc '87–91‡‡	93[illegible]		6.17	8.14
90[illegible]	80¼	Treas. 3pc 1991	87[illegible]		3.43	7.09
110[illegible]	98½	Treas 10pc Cv '91 ‡‡	103[illegible]		9.67	8.85
109[illegible]	101[illegible]	Exch. 11pc 1991	105[illegible]		10.40	9.15
99	91[illegible]	Treas. 8pc 1991	96[illegible]		8.28	9.04
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	111[illegible]		11.43	9.21
106[illegible]	97[illegible]	Treas 10pc 1992	102[illegible]		9.75	9.21
99½	90[illegible]	Treas. 8pc 1992 ‡‡	96[illegible]		8.30	9.07

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS – Contd

Undated

[illegible]

Index–Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. [illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	23½		$1.16	–	2.7
19⅝	8¾	Rockwell Intl. $1	9⅜	–⅛	66c	–	3.6
30½	16¼	Sara Lee $1(1/3)	18⅝xd	+⅛	$1.00	–	2.9
11⅝	8⅛	Saul (B. F.) $1	9⅛	–⅛	20c	–	1.2
27½	2¼	Southwestern Bell $1	17⅞	+⅛	k$2.32	–	7.1
22⅛	994p	Staley Continental	11¼	+⅛	80c	–	3.9
44⅛	21⅝	Sun Co. Inc. $1	27⅜	–⅝	$3.00	–	5.9
42¼	22⅛	TRW Inc. $0.625	25⅝xd	–½	k$1.60	–	3.4
37⅜	21	Tenneco $5	21xd	–½	$3.04	–	7.9
220	149½	Do. 10pcLn.Stk. 91–5	155xd		10%	–	f4.7
29⅝	15⅞	Texaco $6.25	20xd	–¼	$3.00	–	8.2
74⅛	36⅛	Tiney Inc. $1	43⅛xd	+⅛	$1.00	–	1.3
20⅛	11	Tracor $0.33(1/3)	17½xd		40c	–	1.3
30⅛	15	Transamerica $1	15⅝xd	–¼	$1.84	–	6.4
14⅝	1¼	Transworld Corp $5	796p	+6	20c	–	1.4
27⅛	12¼	TRINOVA Corp	17		56c	–	1.8
24⅛	12⅝	♥USX $1	16⅞	–⅛	$1.20	–	4.0
37⅞	16⅛	Utd. Technologies	17⅛xd	–⅛	$1.40	–	4.4
38⅛	25⅞	US West‖	27		$3.28	–	6.7
30½	17⅛	Waste Management $1	19⅝	–⅛	–	–	–
31⅞	11⅝	Whirlpool $1.0	12⅞		–	–	–
37⅛	16½	♥Woolworth $3½	37⅜	–⅛	$1.32	–	4.1

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‖	295p	+8	–	–	–
26⅛	10p	♥Abbot Energy Corp	16½		–	–	–
18⅛	506p	♥Amer. Barrick Res	11⅜		–	–	–
141p	5p	American Lightwave	5½	–½	–	–	–
122p	33p	♥Armeno	41p		–	–	–
117p	39½p	Augmitto Expln	49p	+4	–	–	–
19⅜	10⅝	Bk. Montreal ‖	11⅜xd		$2.00	–	7.3
10½	488p	Bk. Nova Scot. ‖	532xd	–2	72c	–	5.6
20⅝	15	BCE ‖	15⅜	+⅛	$2.40	–	6.5
10⅜	511p	♥Bow Valley ‖	405p	+9	40c	–	2.8
20	10⅛	♥Brascan ‖	11⅜		88c	–	3.2
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

1987 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	461	+38	†10.5	—	3.1	—
*£11¼	733	Prudential	838	+7	†29.0	—	4.7	—
598	350	Refuge 5p	468	+15	15.75	—	4.6	—
595	345	Royal	408	+1	‡Φ15.9	—	5.2	—
110	65	Saltire Ins. Invs	78	+5	—	—	—	—
*345	168	Sedgwick Group 10p	228	+6	12.0	1.7	7.2	9.7
339	138	Steel Burrill J.10p	159	+4	†9.0	2.0	7.8	8.9
612	303	Stenge Hldgs 20p	339		†16.9	2.5	2.6	20.9
£12¼	645	Sun Alliance	869	+4	†23.5	—	3.7	—
£13	865	Sun Life 5p	945	+35	†28.5	—	4.1	—
£69½	£36¼	♦Taisho M EDR	£40	-1	Q10%	—	1.1	—
£22¼	£12¾	Torchmark $1.00	£12¾		Q$1.00	—	4.3	—
410	295	Trade Indemnity	355		†4.3	—	1.7	—
234	£17¾	Travelers $1.25	£16⅝	-⅛	$2.28	—	6.7	—
£30¼	£15¾	USF & G Corp $2.50	£15¼	-¼	Q$2.48	—	8.6	—
£23¾	£15⅛	USLIFE Corp. $1.0	£15⅝	-⅜	Q$1.28	3.2	4.5	7.0
738	525	Wellid Friendly 8 10p	540		21.0	—	5.3	—
464	192	Willis Faber 12½p	233	+4	§10.75	2.4	6.3	8.9
128	41	Windsor Secs. 10p	58		†0.7	1.5	1.7	—

LEISURE

1987 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	‡A & M Group 10p	14	+2	—	—	—	—
242	77	Airtours 10p	100	+15	L±5.4	♦	7.6	♦
*549	253	Anglia TV	349	+4	†g11.25	3.3	4.4	9.7
194	77	‡Aspinall Hldgs. 10p	163		†6.0	1.2	5.0	22.3
141	62	‡Avesco 1p	73		0.5	6.7	0.9	20.6
72	40	‡BCE Hldgs 5p	44	+1	L±1.0	♦	3.1	♦
300	132	Barr & W.A.T. 'A'	175	-5	†8.0	1.4	6.3	14.3
58	22	Bond Media	22		—	—	—	—
235	165	Boosey & Hawkes	170		—	—	—	—
83	28	‡Border T.V.	42	+1	1.4	♦	4.6	♦
*439	430	Brent Walker 10p	289	+15	†g8.5	2.2	4.7	13.9
324	79	Do 6pc Cv.Cm.Rd.Pf.	94	+3	6.0	—	8.7	—

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Dollar moves bring rally in blue chip equities

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 7	Dec 17	Dec 18	Jan 4
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

*New time dealings may take place from 9.00 am two business days earlier.

THE ROUND of support for the US dollar by the leading central bankers yesterday repaired some of the damage wrought on the UK securities markets on Tuesday but trading levels remained extremely thin.

The City sounded only half-convinced by the rally in the US currency which "hasn't worked all that well", as one trader put it. London took a cautious view of the latest US leading indicators, showing a 1.7 per cent fall for November.

However, the equity market recouped about a half of Tuesday's loss, closing near the best of the day. Government bonds dipped by ⅞ of a point in turnover described as "pitifully thin".

Shares opened higher, helped by a steadier closing trend on Wall Street, despite its net loss on the session. London stocks continued to edge higher during the first half of the session but hung fire ahead of the New York opening. With Wall Street starting the new session firmly, London stocks brightened again in the final half-hour of the trading day.

At the close, the FT-SE 100 Index was 29.5 up at 1759.8. The gain restored the index to the top end of the new trading range set earlier this month.

Equity turnover, at about one quarter of last week's enhanced daily levels, remained unimpressive. Large areas of the market were barely alive and attendance on the trading desks was still way below normal.

The slackening in upward pressure on the pound brought modest gains in the blue chip exporting stocks, although **ICI** was one of the few to extend its gain into double figures. **Unilever** found few supporters but minor gains were chalked up by many of the other market leaders.

Gold shares held on to the gains of the previous session but, with the bullion price lacking strength, attracted very little investment interest.

The oil share sector remained very active as traders awaited the next move in the Britoil-Atlantic Richfield-British Petroleum saga. Heavy buying of BP "new" shares continued in the wake of the Kuwait Investment Office admission that it had increased its stake this week.

The Government bonds sector tried to open firmer despite the likelihood of moves to help the dollar, but soon faltered as the rally in the US currency took the top off sterling. Business was very thin, taking its cue from a lifeless bond futures market. Some houses appeared to be caught with long positions at mid-session, and their attempts to sell in such a thin market drove prices sharply downwards. At the close, longer dates were ⅞ off.

BP easily topped the list of shares most actively traded with 77m of the "new" partly paid changing hands and nearly 9m of the "old" fully paid moving through the SEAQ system.

The Kuwait Investment Office moved back into the market picking up a further 35m BP "new" to add to the 17.4 per cent stake, or 1.04 bn BP shares, it announced late on Tuesday, thereby upping its stake to 18.03 per cent.

But a number of trades in BP "new" carried out earlyyesterday at 69p appeared to have been transacted from a source other than the KIO, whose business was mostly done between 70p and 70½p. BP fully-paid shares moved up strongly to close a net 7½ higher at 257p, boosted by firm crude oil prices. Brent crude for February delivery was around 85 cents up at $17.80 after some encouraging US oil stocks statistics announced by the American Petroleum Institute.

Britoil rose 2½ to 437p amid market talk of an imminent drilling report from the North Sea, but turnover contracted substantially to around 2m shares; Atlantic Richfield confirmed yesterday that it had increased its holding in Britoil to 21.1 per cent.

Other firm features in oils included **Enterprise**, 2 firmer at 265p and **LASMO** 5 up at 278p – both takeover targets – and **Aran Energy** which spurted 9 to 71p.

Grand Metropolitan, the major UK drinks and hotel group, were one of the day's best performers rising to 467p at one stage before easing late to close 12 higher on balance at 462p. The shares were initially boosted by an investment recommendation and more favourable currency influences, but lost momentum late in the session as the company announced that it had notified the French Stock Exchange of a public tender offer for all the shares not already owned in Martell, the French cognac group, at F.FR2,675 per share.

Grand Met's shares ended off the top on fears that the group could find itself embroiled in a bid battle with Canadian drinks giant Seagram which has already acquired the Martell family's 40 per cent holding and is bidding F.FR 2500 per share for the rest. Marketmakers were also quick to point out that a successful bid by Grand Metropolitan for Martell could involve an element of short-term earnings dilution.

Bank issues made good progress after news of the US/Mexico plan to reduce the latter's overseas debt burden. **Lloyds**, regarded as having the largest exposure of the clearers to south American debt, were major beneficiaries of the news and raced up 11 to 260p closely followed by **Midland** which rose 12 to 396p. A newsletter recommendation boosted **Royal Bank of Scotland** 7 to 365p.

Insurance issues were again highlighted by life assurances where bid speculation and further strong buying by Smith New Court lifted **Pearl Assurance** 38 to 461p albeit in a relatively modest turnover of 1.3m shares; dealers also reported increased activity in the shares on the inter-dealer broking systems.

Slightly more action developed in the Brewery sector. **Guinness**, one of the previous day's chief casualties, rebounded 10 to 293p while **Bass** regained 14 to 824p and **Allied-Lyons** 10 to 355p. **Whitbread**, which has settled the long legal battle for compensation and damages over the loss of US brands, recovered with the "A" shares closing 6 up at 290p. Some Regional issues also improved with **Greenall Whitley**, a New Year recommendation, rising 6 to 190p. **Buckley's** advanced 6 to 178p while **H.P.Bulmer** made fresh headway to close 8 firmer at 169p.

Leading Buildings regained composure after the previous day's shake-out. **Blue Circle** moved up 6 to 434p amid reports that last week's dawn raider was Hanson, but there was no official confirmation. **Costain** rallied 11 to 280p and **Taylor Woodrow** picked up 8 at 362p. **John Laing** revived with a gain of 16 at 275p and **George Wimpey**, one of the sector's current takeover favourites, improved 4 to 241p. **Magnet** attracted support and rose 11 to 207p.

ICI edged up ¼ to £11¼ helped by a steadier performance by the dollar. **Amersham International**, in which the Government holds " a golden share" attracted speculative interest late in the session and gained 18 to 452p.

Tip Top Drugstores leapt 40 to 138p on news that the group is involved in "very preliminary" discussions about a possible bid for the company.

The **Tip Top** statement triggered good demand for **Lloyds Chemists** which jumped 18 to 155p.

Elsewhere a stock shortage boosted **Storehouse** 13 to 260p. **Ward White**, amid market whispers that a major US acquisition is imminent, moved up 6 to 309p.

Traders reported a good rally in electrical and electronics issues which they said were oversold on Tuesday. Dollar-sensitive stocks performed especially well led by **Cable and Wireless** – up 12 at 340p – and **Ferranti** which rallied 6 to 91p on a turnover of 5.7m.

Engineers recorded several noteworthy movements. **Adwest**, regarded as a strong assets situation, moved ahead smartly to close 11 higher at 291p; the advance also gave rise to vague takeover talk. Among other speculative favourites, **Simon** put on 11 to 236p and **Delta** 10 to 276p. Demand revived for **IMI**, which rose 7 to 187p, while **T. Robinson**, an established high-flier, moved up 17 to 384p. **Rolls-Royce** rallied 5 to 126p, but the volume of business (some 2.3m) was relatively modest. **Birmid Qualcast** edged up 5 to 310p in the wake of its defence document urging shareholders to reject Blue Circle's unwelcome 300p per share cash offer. Among the leaders, **Hawker** managed a modest rally of 9 to 452p.

A steadier trend in the dollar lent weight to a brighter tone among international stocks. Dealings conditions, however, were described as "extremely thin". **Beecham** rallied smartly in a volume of less than 1m shares to close 12 higher at 455p. **BOC** regained 11 to 395p and **Reed International** 15 to 399p.

Comment by Citicorp Scrimgeour Vickers, the securities house, on the recent Avis Car Leasing deal enlivened interest in **Avis Europe** which rallied 13 to 289p. **Brammer**, a current bid favourite, moved ahead to close 12 up at 223p and speculative demand was also behind a rise of 11 to 161p in **Metal Closures**. **Bridon**, in which Carclo holds a 5.1 per cent stake, improved 6 to 160p. **Norcros** nudged forward a similar amount to 361p in the wake of contract news. **Smiths Industries**, up 9 at 227p, and **English China Clays**, 11 to the good at 399p, were among other dollar earners to stage a revival. **British Aerospace**, assisted by news of the orders for two BAE 146 regional jetliners and six BAE 125-800 business jets, hardened 5 to 348p.

Among Leisure issues, travel concern **Owners Abroad** gained 7 to 90p on the disclosure that Eagle Trust had increased its stake to 14.97 per cent. **Brent Walker** rose 15 to 289p in reply to a New Year investment recommendation, while **Virgin** responded to reports of booming Christmas record sales with and advance of 8 to 110p.

Beneficiaries of 1988 investment selections, **Jaguar** regained ground to end 6 dearer at 329p and **March** rose 18 to 108p. Second-thoughts on this year's good production figures boosted **Rover** which settled 13 higher at 77p. Component issues similarly rallied with **Lucas Industries** bouncing 13 to 561p and **Armstrong Equipment** the same amount to 148p; vague bid talk accompanied the rise in the latter. Elsewhere, **Lex Serviceshowed** little response to advice from Citicorp Scrimgeour Vickers that "the shares offer good value".

Associated Newspaper edged forward to 453p ahead of next Thursday's preliminary profits statement, while **Maxwell Communications** recovered 6 to 243p awaiting shareholders' approval of the proposed acquisitions from Pergamon. The meeting is scheduled for today. **International Business Communications** jumped 8 to 103p and **Norton Opax** rose 9 to 150p, the latter following a mid-week investment recommendation. But **Waverley Cameron** reacted 5 to 448p reflecting doubts over Mr. James Gulliver's intended plans for the group after opposition from a large minority shareholder.

A tentative recovery in the miscellaneous Financial sector was led by **M & G** which, on revived bid hopes, rebounded 14 to 278p. **Britannia Arrow** picked up 7 at 118p, while **Parrish** bounced from the year's low point to close 25 better at 325p. Speculative interest took **Investment Co.** 6 higher to 72p and **Antofagasta** up 9 to 217p.

Traded option contracts were lower still at 7,343. Calls accounted for 5,082 contracts with puts at 2,261. The **FTSE** contract attracted 983 calls and 409 puts.

Traditional Options

- **First dealings Dec 14**
- **Last dealings Dec 31**
- **Last declarations Mar 17**
- **For Settlement Mar 28**

For rate indications see end of London Share Service

Dealers reported a little more interest in the Traditional option market. Stocks dealt in for the call included **Singer and Friedlander, Polly Peck, Lonrho, Owners Abroad, H.P. Bulmer, Bryant Holdings, Control Securities, Lysander, Audio Fidelity, J. Webb, British Benzol, Harris Queensway, Pilkington, BOM Holdings** and **Sears**. No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Dec. 30	Dec. 29	Dec. 24	Dec. 23	Dec. 22	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	88.69	88.82	88.45	88.10	88.19	83.62	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.08	95.07	94.67	94.70	94.71	89.72	99.12 (15/6)	90.25 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1408.0	1382.3	1432.3	1419.4	1408.9	1313.9	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	305.3	309.1	308.7	304.4	301.1	288.9	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.42	4.49	4.34	4.39	4.44	4.38				
Earnings Yld. %(full)	11.06	11.25	10.87	10.98	11.11	10.36				
P/E Ratio (net)(*)	11.09	10.90	11.27	11.17	11.03	11.84				
SEAQ Bargains (5pm)	16,546	19,644	8,251	20,997	24,326	22,524				
Equity Turnover (£m)	-	735.19	692.00	1060.78	1964.07	498.96				
Equity Bargains	-	18,993	13,394	24,529	29,292	32,172				
Shares Traded (ml)	-	260.4	327.4	569.0	533.6	277.8				

S.E ACTIVITY

Indices	Dec. 29	Dec. 24
Gilt Edged Bargains	60.9	46.9
Equity Bargains	122.7	115.2
Equity Value	1486.0	1398.7
5-Day average		
Gilt Edged Bargains	75.7	84.0
Equity Bargains	151.4	167.8
Equity Value	2392.5	2701.0

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1389.6	1399.8	1401.5	1401.8	1402.5	1403.8	1405.6	1406.3

Day's High 1409.0 Day's low 1389.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * [illegible]

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Wednesday December 30 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tue Dec 29 Index No.	Thu Dec 24 Index No.	Wed Dec 23 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (214)	727.04	+2.2	9.89	3.97	12.68	20.99	711.62	737.97	727.77	696.73
2	Building Materials (30)	967.69	+2.1	10.18	3.88	12.21	27.46	947.39	978.73	972.86	864.46
3	Contracting, Construction (33)	1385.90	+2.1	9.55	3.61	13.90	34.99	1357.42	1403.42	1381.81	1185.88
4	Electricals (14)	2020.82	+1.2	9.05	4.60	14.36	65.15	1997.63	2051.59	2038.51	1772.22
5	Electronics (33)	1512.67	+2.5	10.55	3.44	12.37	38.66	1476.28	1550.05	1531.15	1543.77
6	Mechanical Engineering (60)	369.29	+2.6	10.12	4.46	12.44	12.47	359.86	373.69	368.75	393.85
8	Metals and Metal Forming (7)	437.82	+3.2	9.67	3.84	12.48	12.87	423.58	437.46	430.37	355.97
9	Motors (14)	269.09	+2.0	11.18	4.32	10.41	7.46	263.69	275.33	268.98	272.33
10	Other Industrial Materials (23)	1240.81	+1.6	8.54	4.19	13.94	39.00	1221.76	1255.02	1228.39	1179.57
21	CONSUMER GROUP (182)	1033.48	+1.8	8.48	3.52	15.03	25.82	1015.53	1048.35	1039.81	950.87
22	Brewers and Distillers (21)	1000.02	+2.3	10.80	3.94	11.73	25.39	977.12	1004.86	1000.14	938.04
25	Food Manufacturing (23)	834.51	+1.3	9.23	3.86	13.89	23.39	823.73	854.95	846.04	738.32
26	Food Retailing (17)	2104.54	+3.3	7.59	2.89	17.50	47.36	2037.90	2102.51	2078.75	1881.88
27	Health and Household Products (10)	1762.45	+1.3	6.66	2.55	17.91	33.67	1739.64	1803.42	1786.35	1649.31
29	Leisure (29)	1129.18	+1.2	7.70	4.13	16.22	31.98	1115.26	1154.04	1146.12	986.35
31	Packaging & Paper (16)	505.02	+1.3	8.35	3.59	15.77	12.71	498.61	511.21	505.89	491.58
32	Publishing & Printing (15)	3376.87	+2.6	6.49	4.33	19.47	99.38	3291.13	3375.81	3347.10	2713.49
34	Stores (35)	845.72	+1.1	8.87	3.58	15.13	21.77	836.81	860.34	859.05	835.17
35	Textiles (16)	598.22	+2.5	10.99	3.94	10.48	17.67	583.38	607.12	595.52	541.39
40	OTHER GROUPS (87)	852.81	+1.8	10.82	4.34	11.49	27.29	837.91	868.33	857.46	821.82
41	Agencies (17)	1069.63	+3.6	6.54	2.24	19.54	17.38	1032.08	1078.91	1056.77	0.0
42	Chemicals (21)	1074.05	+1.3	9.53	4.36	12.87	33.69	1060.17	1102.08	1090.02	1000.90
43	Conglomerates (13)	1115.98	+2.0	10.65	4.67	10.78	39.38	1094.18	1144.53	1139.91	0.0
45	Shipping and Transport (11)	1729.65	+1.5	9.82	4.77	13.35	57.89	1704.67	1748.15	1732.33	1570.92
47	Telephone Networks (2)	897.43	+1.6	12.00	4.72	11.10	31.99	883.18	910.05	891.62	853.93
48	Miscellaneous (23)	1168.33	+1.7	13.15	4.08	9.85	35.16	1148.88	1187.40	1176.67	1114.07
49	INDUSTRIAL GROUP (483)	914.29	+1.9	9.47	3.85	13.29	25.45	897.49	928.54	918.52	860.46
51	Oil & Gas (17)	1702.70	+1.4	9.76	5.78	12.64	66.21	1678.69	1736.40	1715.06	1511.37
59	500 SHARE INDEX (500)	981.12	+1.8	9.51	4.14	13.19	28.96	963.71	997.02	986.04	915.61
61	FINANCIAL GROUP (121)	650.51	+1.7	-	4.82	-	22.43	639.61	658.25	653.07	615.75
62	Banks (8)	657.65	+1.9	20.13	5.97	6.56	26.94	645.67	663.54	660.24	691.19
65	Insurance (Life) (8)	976.89	+2.7	-	4.71	-	32.56	950.99	965.20	963.11	869.23
66	Insurance (Composite) (7)	509.32	+0.4	-	5.41	-	20.16	507.32	522.42	518.99	456.52
67	Insurance (Brokers) (8)	916.83	+2.0	12.10	6.27	10.57	40.26	899.17	930.36	913.56	1125.69
68	Merchant Banks (11)	345.69	+2.4	-	4.12	-	10.69	337.59	351.20	351.11	345.85
69	Property (49)	997.62	+1.5	5.27	3.88	24.22	22.75	983.21	1015.78	999.56	806.70
70	Other Financial (30)	385.30	+2.0	9.43	4.11	13.41	12.01	377.76	391.15	387.75	365.06
71	Investment Trusts (87)	788.00	+1.0	-	3.22	-	18.67	780.23	806.15	799.10	870.85
81	Mining Finance (2)	449.04	+0.4	10.12	3.80	11.13	12.77	447.83	463.38	451.32	342.99
91	Overseas Traders (10)	964.99	+2.1	9.37	5.18	12.53	37.80	944.97	977.02	967.05	782.20
99	ALL-SHARE INDEX (720)	890.92	+1.7	-	4.22	-	26.87	875.62	905.12	895.48	835.48

	Index No.	Day's Change	Day's High	Day's Low	Dec 29	Dec 24	Dec 23	Dec 22	Dec 21	Year ago
FT-SE 100 SHARE INDEX ♦	1759.8	+29.5	1760.2	1741.1	1730.3	1791.1	1771.4	1747.4	1750.2	1679.0

FIXED INTEREST

	PRICE INDICES	Wed Dec 30	Day's change %	Tue Dec 29	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.16	-0.18	123.39	-	11.43
2	5-15 years	138.67	-0.37	139.19	-	14.40
3	Over 15 years	146.38	-0.69	147.39	-	14.19
4	Irredeemables	159.60	-1.09	161.36	-	14.58
5	All stocks	135.76	-0.37	136.27	-	13.45
	Index-Linked					
6	5 years●	123.82	-0.03	123.86	-	2.92
7	Over 5 years●	115.47	-0.34	115.86	-	3.43
8	All stocks●	115.99	-0.31	116.35	-	3.37
9	Debentures & Loans	116.06	+0.12	116.07	0.14	10.84
10	Preference	84.87	-0.07	85.08	0.15	6.39

	AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 30	Tue Dec 29	Year ago (approx.)
	British Government				
1	Low	5 years	8.77	8.69	9.77
2	Coupons	15 years	9.46	9.40	10.08
3		25 years	9.33	9.24	10.08
4	Medium	5 years	9.40	9.31	10.80
5	Coupons	15 years	9.65	9.57	10.39
6		25 years	9.60	9.52	10.18
7	High	5 years	9.50	9.40	10.84
8	Coupons	15 years	9.80	9.73	10.57
9		25 years	9.58	9.49	10.24
10	Irredeemables†		9.25	9.14	10.06
	Index-Linked				
11	Inflation rate 5%	5yrs.●	2.89	2.87	3.91
12	Inflation rate 5%	Over 5 yrs.●	3.97	3.95	3.87
13	Inflation rate 10%	5 yrs.●	3.33	3.31	2.39
14	Inflation rate 10%	Over 5 yrs.●	4.06	4.03	3.71
15	Debs &	5 years	11.00	11.03	11.46
16	Loans	15 years	11.06	11.08	11.30
17		25 years	11.10	11.12	11.30
18	Preference†		10.68	10.67	11.83

♦Opening index 1741.1; 10 am 1753.0; 11 am 1753.5; Noon 1754.2; 1 pm 1756.0; 2 pm 1757.8; 3 pm 1759.4; 3.30 pm 1757.3; 4 pm 1757.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday Issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	97	13
Corporations, Dominion and Foreign Bonds	3	14	35
Industrials	751	150	666
Financial and Properties	277	70	291
Oils	42	21	48
Plantations	3	2	9
Mines	41	47	111
Others	87	73	89
Totals	1,210	474	1,262

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (3).

BRITISH FUNDS (1) Transport 3pc. 1978-88, LOANS (1) Agricultural Mortgage Corp. 5pc. 1958-89, HOTELS (1) Savoy "A".

NEW LOWS (27).

AMERICANS (4) Damson Oil, Dama-Lock Medical, FPL Group, Tenneco, CANADIANS (2) Darlan Inds., Galactic Resources, CHEMICALS (1) Schering AG, ELECTRICALS (4) Borland Intl. Inc., Neotronics Tech., P-E International, VG Instruments, FOODS (1) Sutherland Hldgs., INDUSTRIALS (2) Pecer Systems, Platon International, LEISURE (1) Molinaire Vision, TRUSTS (4) [illegible] Health Warrants, M & G 2nd Dual Inc., North Sea Assets, Ferguson (J.), OILS (1) Intl. Pet. Corpn., MINES (7) West Rand, Bracken, Harmony, Lydenburg, Acorn Securities, GM Kalgoorlie, Otter Exploration.

WORLD STOCK MARKETS

[illegible]

CANADA

TORONTO

Closing prices December 30

[illegible]

MONTREAL

Closing prices December 30

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 29

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Adwest Group	291	+	11
Amersham Intl.	452	+	19
Armstrong Equipment	148	+	14
Avis Europe	289	+	13
BOC Group	385	+	11
Beecham	455	+	12
Brammer	233	+	12
Brent Walker	289	+	15
Costain	280	+	11
Delta Group	278	+	10
Grand Met.	482	+	13
Guinness	293	+	10
Helical Bar	195	+	19
Lloyds Bank	260	+	11
Lucas Inds.	561	+	13
M & G Group	278	+	14
Magnet	207	+	11
Meat Trade Suppliers	203	+	30
Metal Closures	161	+	11
Midland Bank	395	+	12
Owners Abroad	90	+	7
Pearl Group	461	+	38
Reed Intl.	399	+	15
Rover Group	77	+	13
Tip Top Drugstores	138	+	40

FALLS

Treas. 9% 2008	£96⅝	-	¹¹⁄₁₆

Indices

NEW YORK — DOW JONES

	Dec. 29	Dec. 28	Dec. 24	Dec. 23	1987 High	1987 Low	Since compilation High	Since compilation Low
♦Industrials	1936.89	1942.97	1999.67	2005.64	2722.42 (25/8)	1738.42 (19/10)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	86.59	86.45	86.55	86.25	95.51 (9/2)	81.26 (19/10)	–	–
Transport	747.71	753.57	770.29	774.00	1101.16 (14/8)	661.00 (4/12)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	173.13	174.25	175.79	177.94	227.83 (22/1)	160.98 (19/10)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 1951.76 (1966.18) Low 1918.10 (1921.92)

STANDARD AND POOR'S

Composite ‡	244.59	245.57	252.02	253.16	336.77 (25/8)	223.92 (4/12)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	283.04	284.27	292.38	293.53	393.17 (25/8)	255.43 (4/12)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	21.38	21.31	21.73	21.91	32.43 (25/8)	20.39 (7/12)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	136.84	137.50	140.85	141.36	187.99 (25/8)	125.91 (4/12)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	255.28	256.64	260.90	260.44	365.01 (13/8)	231.90 (4/12)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	325.53	325.60	333.06	331.48	455.28 (26/8)	291.90 (28/10)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec. 24	Dec. 18	Dec. 11	year ago (approx.)
Dow Industrial Div. Yield	3.46	3.50	3.69	3.59
	Dec. 16	Dec. 9	Dec. 2	year ago (approx.)
S & P Industrial div. yield	3.13	3.24	3.86	2.94
S & P P/E ratio	15.88	15.25	14.73	17.99

TRADING ACTIVITY

[illegible]

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR	s	.38	2.0	16	279	18⅞	18	18¾	−⅛
32½	19	AFG	s	.16	.6	9	527	27½	27	27½	+¼
27	10½	AGS	s			15	421	17⅞	16	17⅛	+1½
10½	6¼	AMCA					3	6⅝	6⅝	6⅝	
9⅝	3¼	AM	Intl			33	1690	4¾	4½	4⅝	
65½	26¾	AMR				10	3299	35⅝	35¼	35⅝	+⅛
12¼	6⅜	ARX	s			7	1555	7⅛	6¾	6⅞	−¼
73½	35⅛	ASA		2a	4.1		673	50	49⅛	49⅝	−¾
22⅝	9½	AVX				18	267	15	14½	14½	
67	40	AbtLab		1	2.1	18	2927	47¾	46⅝	47¾	+1¼
28	15⅝	Abitibi	g				11	20¾	20¼	20⅝	+¼
16¾	8½	AcmeC		.40	3.2	17	238	12⅜	11⅝	12⅜	+⅝
10½	6⅛	AcmeE		.32b	4.3	25	6	7⅜	7⅜	7⅜	−⅛
20	14⅛	AdaEx		3.44e	23		186	15	14¾	14¾	−⅛
19½	6⅞	AdamMl		.24	2.5	8	250	10¼	9	9¾	+¾
24⅞	7½	AMD					5418	10⅛	9⅝	10	+⅜
56¾	29¼	AMD	pf	3	10.		266	30⅛	29⅞	30⅛	+⅜
11⅞	4⅝	Adobe					375	5⅜	5	5⅛	+⅛
20½	15¾	Adob	pf	1.84	11.		2	16¾	16⅝	16¾	+¼
21⅞	17½	Adob	pf	2.40	12.		30	20¼	19½	20¼	+¾
15	6⅛	Advest		.12a	1.7	5	2277	7⅛	6⅝	7	+⅜
68¼	43¾	AetnLf		2.76	6.2	6	2232	45	44⅜	44⅞	+¼
83½	34¾	AhlPb	s	.40	.7	8	174	53⅝	52⅞	53⅝	+1¼
25⅞	13	Ahmans		.88	5.6	7	2722	15⅝	15¼	15⅝	+⅜
5⅜	1¾	Aileen					135	2	1⅞	1⅞	
53⅞	29	AirPrd		1	2.5	14	880	40¾	39¾	40½	+⅞
36	11⅞	AirbFrt		.60	4.1	9	182	14⅞	14⅜	14¾	+¼
16½	6¾	Airgas				15	301	10½	9½	10¼	+¾

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	11¾	UDC	2.20	16.	5	375	13¾	13¼	13½	+⅛
32	21⅜	UGI	2.04	8.1	11	78	25⅜	24⅞	25⅛	
13⅜	4½	UNCInc01e	.1		10	1137	7¼	6¾	7¼	+½
31⅞	15⅜	UNUM .30e		1.6		1389	18¾	18	18¼	−¼
46¾	26¼	USFG	2.48	8.6	6	3379	29½	29	29	−¼
62	41½	USFG pf4.10		9.6		176	43	41⅝	42½	+1
55⅞	28½	USG	1.12	3.8	6	1143	30	29¼	29½	−⅜
28½	18¼	USLICO86		4.1	9	486	22	21	21½	+¾
32⅞	13¼	USPCI s			40	134	27¾	27¼	27¾	−⅜
32¼	19½	UST s	1.48	5.7	12	547	26¼	25¼	26	+½
39⅝	21	USX	1.20	4.0		7748	31½	29½	30	−⅞

X Y Z

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
65	50	Xerox	3	5.2	12	1357	58¼	57½	58⅛	+¾
58¼	52½	Xerox pf5.45		10.		58	53¾	53	53¾	+¾
31½	19⅛	XTRA	.64	3.0	14	116	22⅛	21⅝	21⅝	−⅝
25¼	19½	XTRA pf1.94		9.0		113	22	21½	21½	+⅜
33⅞	18⅛	Yorkin			10	158	24	23⅝	24	+⅜
7¼	2¼	Zapata				1415	2¾	2⅝	2¾	
37	13½	Zayre	.40	2.8	5	3184	14¼	14¼	14⅜	−⅛
16⅛	8¾	Zemex	.40	4.1	8	21	10	9¾	9¾	−⅛
33⅝	10	ZenithE				836	15	14⅝	14¾	−⅛
13½	2⅝	ZeeLab				21723	d	2½	2⅞	−⅛
28½	13½	ZeoNtl	.80	5.2	7	587	15½	15	15¼	−¼
20⅝	11⅞	Zero	.36	2.4	15	134	15¼	15	15	−⅜
30¾	15	Zurnlas s	.68	3.6	13	291	19⅝	18½	19⅛	+⅝
10⅝	7⅝	Zweig	.92e	10.		594	9¼	8⅞	9	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 27

FINANCIAL TIMES Thursday December 31 1987

N. AMERICA

Dow manages modest rally in thin volume

Wall Street

THIN PRE-HOLIDAY trading yesterday saw equity prices drift higher despite continued weakness in the dollar, *writes Janet Bush in New York.*

After three successive daily declines, yesterday's modest upward move was predictable. The very low level of activity, however, makes drawing any conclusions about the trend of the market unwise.

Both bonds and equities to a large extent are following movements in the dollar but trading on foreign exchanges was thin yesterday.

The mood on the currency market is still pessimistic about the dollar, but activity has dwindled this week. Many traders have been reluctant to take active positions in the week between Christmas and new year. Many, however, expect the dollar to come under selling pressure after the weekend.

Another round of modest intervention by a number of European central banks and the Bank of Japan gave some support to the dollar during European trading, but the dollar continued weak in New York where it was quoted in late dealings at its lows for the day of Y123.30 and DM1.5940.

The Dow Jones Industrial Average closed 23.21 points higher at 1950.10. Fewer than 150m shares changed hands.

The US Treasury bond market recovered in afternoon trading to show gains of up to ⅜ point. During the morning, prices had been mixed with marginal gains in shorter maturities but there were slight losses at the long-end.

The Treasury's benchmark 8.875 per cent 30-year issue closed around ⁵⁄₁₆ higher, yielding 8.888 per cent. Trading was very quiet.

There was little reaction to yesterday's news that US leading indicators fell 1.7 per cent in November, which was in line with expectations. The Commerce Department said about two-thirds of the drop was due to the share prices component of the leading index.

On the equity market, the Dow index gained more than 16 points in the first hour but the rally then seemed to run out of steam. The index stabilised for the rest of the morning session at about 20 points higher. Dealers said the early rally was aided by futures-related buy programmes.

Among blue chip equities, International Business Machines rose $1 to $117, Eastman Kodak gained $1¼ to $50 and Procter & Gamble was up $¼ at $84½.

Merck jumped $3 to $158⅞. Merck Sharp & Dohme, a subsidiary of Merck, said yesterday its new Prinivil drug, which treats blood pressure, had been approved by the Food and Drug Administration.

Atlantic Richfield rose $1½ to $70½. The company boosted its stake in Britoil to 21.12 per cent on Tuesday.

Manufacturers Hanover fell $1⅛ to $22⅛. The bank announced yesterday it was selling by public auction 500,000 shares of common stock in its Portugal subsidiary for $43.4m. It said the offering would raise $23.5m after-tax which would be realised in fourth quarter earnings.

Money centre banks continued to derive advantage from the news on Tuesday of the scheme put together by the US and Mexico to relieve that country's debt problem.

Citicorp, which rose strongly yesterday, extended its gains by $½ to $19¼, J P Morgan rose $1½ to $36⅝ and Bankers Trust gained $1⅝ to $31⅛.

National Medical Enterprises rose $⅝ to $18⅞ after the company's announcement of sharply increased profits, due primarily to a very strong performance by its speciality hospitals.

Dyncorp jumped $1⅜ to $16¾ after the company said it had received an acquisition proposal from its chairman and Synergy Group, a private company which distributes Propane.

Metals and mining stocks, which have been among the best performing equities this year, were mixed yesterday. Alcan Aluminium rose $⅛ to $27, Homestake Mining was unchanged at $17⅜ and Asarco fell $⅝ to $28.

Technology stocks put in a good performance. Digital Equipment rose $3⅛ to $137⅜, Unisys was up $⅝ at $33⅞ and Texas Instruments gained $1⅛ to $56½.

Canada

STRONG COMMODITY prices and a firmer US dollar pushed up Toronto share prices in light trading.

The composite index rose 18.29 to 3168.13 as advances outpaced declines by 542 to 293 on volume of 12m shares.

Base metal issues, buoyed up by strength in copper and nickel prices, drove the market higher, said Mr Dennis Mark of Prudential-Bache Securities Canada.

"The Toronto market is heavily weighted towards the resource sector," he said.

"Copper has moved up strongly and has stayed there."

SOUTH AFRICA

GOLD SHARES in Johannesburg were narrowly mixed against a steady bullion price. Harties added 25 cents at R28.75 and Loraine 25 cents to R18.25, while Kloof eased 50 cents at R43 and Western Deep shed R4.25 to R138.75.

In diamonds De Beers was unchanged at R29.75, while Rustenburg Platinum was also static at R29.50.

Alison Maitland in London reviews the rewards and risks that made 1987 a memorable year for the continental markets

Thrills and spills of life on Europe's Big Dipper

ENJOYABLE IS probably not the word that would spring most readily to the lips of the European investor when looking back on the year of the Big Crash.

The shock of the October bear market has a natural tendency to colour everything that went before.

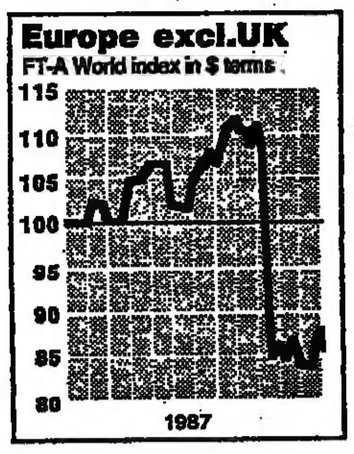
Yet taken as a whole, with its extraordinary peaks and troughs and dramatic changes in the pace and style of trading, the year will be remembered with a degree of affection by some of those most closely involved.

Mr Philip Farrer, director of European equity sales at SBCI Savory Milln, is one example. "It has been a very, very interesting year, a fun year," he says. "We have all had the most amazing experience – which I hope is a one-off – in the crash, which is something no one had ever seen."

Even before October, it was an extremely difficult year for fund managers to make reasonable returns in continental Europe. Fierce competition between investment funds and poor performance in the bigger markets combined to send money racing around Europe in search of the latest vogue destination. Smaller bourses like Brussels, Oslo and Madrid soared to record levels in consequence.

Trading volumes rose sharply, too, and the emphasis on profit-taking for short-term gains made markets more volatile.

It was a year when the authorities, most notably in France, took further steps to reform the markets in the battle to become Europe's leading financial centre – and when the widening of share ownership left many small investors bruised and bewildered by their first ride on the stock market Big Dipper.



Technology advanced apace, and the proliferation of screen-based trading was blamed by some for helping to spark panic selling across Europe when the crash came.

Funds retreated rapidly to the familiarity of their home markets and turnover shrank by more than half. Worst hit in the fall-out were the larger, more liquid bourses such as Germany and France. According to Salomon Brothers, foreigners sold DM3.7bn ($2.3bn) worth of German shares in October, equivalent to 70 per cent of the new money they had put into Germany in the first nine months.

The equities crisis threw into focus some of the more wearisome aspects of European trading. The ailing dollar had already led larger markets by the nose for much of the year. But the shadowing of Wall Street now became an obsession so that even Spain, which had gone its own way until then, joined in the collective jump from the cliff.

To the dismay of the professionals, the selling swept through every market and every sector. "There was no premium for quality and no discount for rubbish," says Mr Angus McNeilage, head of European sales at James Capel.

Over the year as a whole, the oil and food sectors did well, reflecting strong performances by leading international stocks Royal Dutch and Unilever. Construction was another leader, with notable buoyancy in French stocks in the sector. Electronics and cars fared worst as exports were hurt by the fall in the dollar.

Among individual markets, France was possibly the greatest disappointment because it had promised so much. Prices rose well for the first three months, with economic and corporate prospects looking good and the privatisation programme bringing at least 4m new investors to the bourse. But the market peaked in March and then drifted once investors began worrying about the approaching presidential election. Hopes of substantial interest rate cuts were dashed by the pressure on the franc from the D-Mark, and the trade deficit aroused concern.

The FT-Actuaries World Indices show France has fallen some 27 per cent over the year in franc terms. The privatisation programme has been suspended because of the crash and a sustained recovery in the market could well have to wait until after the May election, assuming that global conditions improve and local investor confidence can be restored.

Best and worst performing sectors in continental Europe; % change in $ terms between Dec 31 1986 and Dec 29 1987

TOP FIVE	
Oil	17.5
Construction/bldg materials	12.4
Food & grocery products	10.9
Transport/storage	10.1
Media	10.0
BOTTOM FIVE	
Other energy	-26.0
Business serv/comp software	-29.3
Electrical equipment	-31.3
Automobiles	-32.1
Electronics/instruments	-39.5

Figures supplied by Wood Mackenzie.

"Disastrous" and "appalling" are words analysts use to describe the year in Milan, where politics has played an even more central role than in Paris. A breakdown of political consensus, lack of economic leadership and relatively highly priced stocks are blamed for the poor showing. Many foreigners had already pulled out in 1986 and Italy suffered less than some during the crash. But over the whole year it dropped 33 per cent – a local currency performance less disappointing only than that of Germany and Switzerland.

The German market was wrongfooted from the start by the dollar's weakness. It peaked in early January and then lurched unhappily along amid growing signs that the export-oriented manufacturing sector was being squeezed.

Volume and prices had a summer surge as hopes of a reflationary package rose and investors moved in for quick profits. But the good times were heavily outnumbered by the bad patches – the VW currency fraud, the metalworkers' dispute, Siemens' dividend cut, and the uncertainty surrounding the new withholding tax on investments.

When the crash came, the market's excellent liquidity made it easier for foreigners to sell, with the result that Germany dropped some 37 per cent over the year, although in dollar terms the fall was only 24 per cent. It still has a wide lead over France as the largest continental European market. But by December, according to James Capel, its capitalisation had fallen to $196bn from $246bn at the end of last year.

If neighbouring Switzerland seemed dull and staid during the bull market, it may be a haven in a bear market. After heavy selling in the crash, brokers report renewed foreign buying. They point to the solidity of the Swiss franc, the importance of service rather than manufacturing industries in the economy, and the reliance on European rather than US markets. The bourse fell 34 per cent over the year (but only 18 per cent in dollar terms)

The Dutch and Belgian markets retreated 19 per cent and 16 per cent respectively. Amsterdam suffered from its close ties to the dollar and Wall Street through the five big international stocks, although it was enlivened by takeover battles in the publishing world. Brussels, previously a laggard, attracted strong bouts of buying. But the long-winded linguistic dispute, the October crash and the general election left it in uncertain mood.

Some investors had their fingers burned in Scandinavia, and notably Oslo, where foreign money – encouraged by rising oil prices and enthusiastic local brokers – helped push the market to giddy peaks in the summer and then dragged it down more than 40 per cent after the crash. The recent oil price fall and rising interest rates form a bleak outlook. Sweden and Denmark put in more measured performances, and Finland, still small and illiquid, was one of the year's best survivors, rising nearly 30 per cent.

Pride of final place must go to Spain, up more than 7 per cent in peseta terms, 30 per cent in dollar terms, and "the last of the real growth areas throughout Europe," according to one broker.

Spain still has some liquidity problems, but its main difficulty is likely to be drawing back the smaller investor.

That is one problem the whole continent shares. Fresh bid activity and lower oil prices may lighten the US-generated gloom. The wealth of research built up on European companies over the past five years will help to retain interest. But, as Mr Farrer of Savory Milln points out, "it's going to take quite a long time for people's confidence to recover."

EUROPE

Steadier dollar lifts spirits

TRADING closed for the year in many European bourses yesterday with the steadier dollar and book-squaring providing a mild boost. The lighter mood was not shared by all markets, but Norway bounced higher in a bargain-hunting spree.

FRANKFURT ended mixed to firmer. The upturn was attributed both to the dollar's mild gains against the D-Mark and to end-of-year window-dressing.

The Commerzbank index at midsession showed a 14 point gain to 1,299.7, while the FAZ index closed 4.56 higher at 425.18.

Deutsche Bank recouped a small part of Tuesday's losses with a DM1.50 rise to DM388, while Dresdner advanced DM8.50 to DM232.

Cars and chemicals were mixed and electronics leader Siemens added DM2.20 to DM359.

Bonds were little changed to higher on book-squaring. The Bundesbank sold DM158m worth of paper after selling DM68.2m on Tuesday.

OSLO attracted brisk buying after Tuesday's fall and the all-share index rose 2.55 to end the year at 248.00. Volume was nearly double that of recent days at NKr95m.

Banks performed best, with Bergen Bank up NKr6 at NKr151.

PARIS had a dull day but the CAC General index managed to edge up 0.5 to 280.4 after a poor start.

Among the better gains, food stock BSN closed FFr87 higher at FFr4,402 and Pernod-Ricard added FFr3 to FFr676. Peugeot was FFr8 ahead at FFr917.

AMSTERDAM had a mixed finish to the year, with turnover boosted by last-minute book-squaring. The big internationals were little changed or lower, with KLM steady at Fl 29.30 and Akzo losing 60 cents to Fl 86.10.

Banking stock ABN rose 60 cents to Fl 39.90 in active trading of 437,000 shares.

ZURICH edged up in quiet trading thanks to the steadier dollar and window-dressing.

Machinery maker Saurer made one of the biggest gains, up SFr24 at SFr280. Banks and insurers were mixed.

MILAN pulled gently ahead as the dollar and calmer markets elsewhere injected a more confident note into trading.

BRUSSELS was mixed in slightly higher volume, with the stock index rising 34.88 to 3,653.50. Petrofina added BFr200 to BFr8,550, but chemical Solvay eased BFr10 to BFr9,490.

STOCKHOLM took heart from the firmer dollar and rose gently

London

UK securities regained some poise as central banks supported the dollar. The FT-SE 100 added 29.5 to 1,759.8.

ASIA

TRADING remained light in Asian and Pacific markets in the run-up to new year. With Tokyo closed, Singapore edged higher, while Hong Kong and Sydney ended lethargically lower.

Singapore

BARGAIN-HUNTERS ignored weakness in the dollar and on Wall Street to push the Straits Times industrial index up 12.66 to 823.58 on the last trading day of the year. Volume rose to 29m shares compared to 19m on Tuesday.

Local investors focused on lower-priced stocks. Malayan Credit closed steady at S$1.23 after more than 1m shares changed hands.

A few blue chips gained modestly, including Fraser and Neave, up 15 cents to S$7.75, Singapore Press Holdings, 5 cents higher at S$6.65, and National Iron, 4 cents ahead at S$4.62.

Hong Kong

WITH MANY operators already absent for the long holiday weekend, share prices drifted lower to leave the Hang Seng index down 9.29 at 2,291.98.

Active trading in Hongkong Land, steady at HK$7.40, amounted to HK$55m or nearly 10 per cent of total turnover.

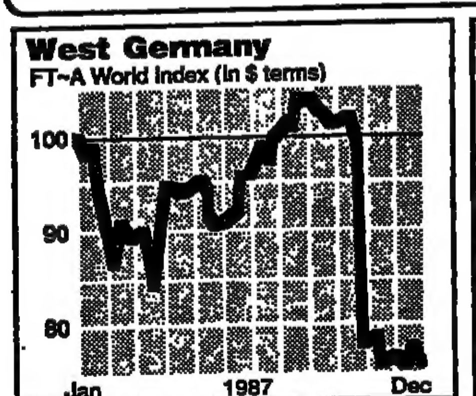
Hongkong Telephone managed a 20 cent rise to HK$12.60.

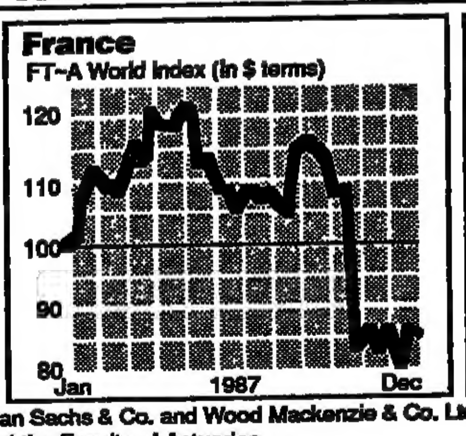
Australia

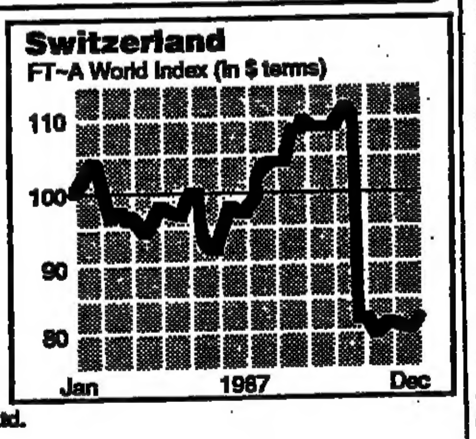
OVERNIGHT falls in the US and UK provided the main impetus in Sydney in the absence of local factors and the All Ordinaries index drifted 6.1 lower to 1,299.2 in thin turnover.

Selling centred on industrials and golds, with FAI losing 30 cents to A$5.70 and News Corp 20 cents to A$11.20, while GMK fell a sharp 40 cents to A$3.30 and Niugini 20 cents to A$5.80.

THE YEAR IN FOCUS







Jointly compiled by the Financial Times, Goldman Sachs & Co. and Wood Mackenzie & Co. Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 29 1987					MONDAY DECEMBER 28 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (88)	103.67	+0.5	82.59	95.50	4.28	103.18	82.22	95.98	180.81	85.36	99.95
Austria (16)	99.77	+0.8	79.48	82.79	2.53	98.99	78.88	82.02	102.87	85.53	98.33
Belgium (48)	101.11	–0.4	80.55	83.66	5.66	101.55	80.92	83.97	134.89	94.63	98.46
Canada (127)	109.64	–0.5	87.34	103.64	3.01	110.17	87.79	103.98	141.78	98.15	100.17
Denmark (38)	114.67	–0.1	91.35	95.87	3.08	114.78	91.46	96.02	124.83	98.18	99.29
France (121)	85.79	–0.4	68.35	72.71	3.65	86.13	68.63	73.10	121.82	77.39	101.65
West Germany (93)	75.55	–1.9	60.19	62.67	3.03	77.01	61.37	63.91	104.93	68.91	99.04
Hong Kong (46)	88.86	+0.1	70.79	88.69	5.60	88.77	70.74	88.50	158.68	73.92	99.96
Ireland (14)	108.98	+2.3	86.82	92.14	4.80	106.49	84.86	92.14	160.22	93.50	98.85
Italy (94)	76.65	–1.1	61.07	67.32	2.84	77.52	61.77	68.14	112.11	72.04	99.00
Japan (457)	138.99	–0.3	110.73	108.46	0.64	139.38	111.07	108.46	161.28	100.00	99.43
Malaysia (36)	110.34	+0.7	87.91	105.80	3.45	109.59	87.33	104.95	193.64	93.76	100.56
Mexico (14)	103.06	+3.3	82.10	251.28	1.16	99.73	79.47	249.43	422.59	99.72	99.09
Netherland (37)	98.80	+0.5	78.71	81.07	5.56	98.27	78.31	80.58	131.41	87.70	100.10
New Zealand (20)	75.67	–1.3	60.28	61.01	5.56	76.70	61.12	61.48	138.99	73.39	99.05
Norway (24)	99.70	–3.1	79.43	84.85	3.23	102.91	82.01	87.40	185.01	95.51	98.96
Singapore (26)	96.26	–1.2	76.68	88.63	2.73	97.47	77.67	89.75	174.28	81.21	100.79
South Africa (61)	133.45	+0.0	106.32	91.44	4.67	133.41	106.31	91.41	198.09	100.00	99.87
Spain (43)	130.02	–0.8	103.58	107.17	3.95	131.09	104.46	107.65	168.81	100.00	99.82
Sweden (34)	96.96	–2.2	77.24	83.90	2.73	99.19	79.04	85.61	136.64	88.50	98.07
Switzerland (53)	82.22	–0.8	65.50	65.65	2.52	82.88	66.05	66.27	111.11	73.65	98.97
United Kingdom (332)	132.29	–3.3	105.39	105.39	4.42	136.76	108.98	108.98	162.87	99.65	99.10
USA (580)	99.58	–0.3	79.33	99.58	3.72	99.91	79.61	99.91	137.42	91.21	101.28
Europe (947)	103.63	–2.1	82.56	84.82	3.98	105.82	84.33	86.65	130.02	92.25	99.36
Pacific Basin (673)	135.66	–0.3	108.07	107.02	0.86	136.01	108.38	107.03	158.77	100.00	99.47
Euro–Pacific (1620)	122.89	–0.9	97.90	98.13	1.92	123.99	98.80	98.85	143.65	100.00	99.43
North America (707)	100.12	–0.3	79.76	99.83	3.68	100.45	80.05	100.16	137.55	91.68	101.22
Europe Ex. UK (615)	85.85	–0.9	68.39	71.85	3.56	86.64	69.04	72.54	111.97	78.89	99.53
Pacific Ex. Japan (216)	95.54	+0.2	76.12	89.43	4.68	95.39	76.02	89.69	164.03	82.92	99.93
World Ex. US (1822)	122.54	–0.9	97.62	98.36	1.98	123.60	98.50	99.07	143.38	100.00	99.46
World Ex. UK (2070)	111.82	–0.4	89.08	98.09	2.35	112.23	89.43	98.34	138.82	100.00	100.27
World Ex. So. Af. (2341)	113.51	–0.7	90.43	98.80	2.55	114.29	91.08	99.39	139.47	100.00	100.17
World Ex. Japan (1945)	101.51	–0.9	80.87	94.18	3.83	102.47	81.66	95.10	134.22	92.98	100.52
The World Index (2402)	113.64	–0.7	90.53	98.78	2.57	114.42	91.18	99.36	139.73	100.00	100.16

Base values: Dec 31, 1986 = 100

Latest prices were unavailable for this edition.

Markets closed December 29: Japan and Ireland. Amendments to indices for December 29 applied to the following: Spain, the regional indices and the World index.

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